

HOME INVESTMENT PARTNERSHIPS PROGRAM

APPLICATION TRAINING MANUAL

-----2003-----



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TABLE OF CONTENTS

	<u>PAGES</u>
I. INTRODUCTION: THE BASICS	1
II. ELIGIBLE ACTIVITIES	15
III. FEDERAL OVERLAY REQUIREMENTS	30
IV. THE APPLICATION PROCESS	38
ATTACHMENT 1 - STATE RECIPIENT TO ADMINISTER CHDO APPLICANT'S PROGRAM	47
ATTACHMENT 2 - INFORMATION ON CITY, COUNTY OR CHDO CAPABILITY	49
ATTACHMENT 3 – INFORMATION ON ADMINISTRATIVE SUBCONTRACTOR CAPABILITY	50
ATTACHMENT 4 – PROGRAM: FIRST-TIME HOMEBUYER ACQUISTION ONLY	51
ATTACHMENT 5 – PROGRAM: FIRST-TIME HOMEBUYER ACQUISTION AND REHABILITATION	55
ATTACHMENT 6 – PROGRAM: OWNER-OCCUPIED REHABILITATION	60
ATTACHMENT 7 – PROGRAM: RENTAL ACQUISITION WITHOUT REHABILITATION	65
ATTACHMENT 8 – PROGRAM: RENTAL REHABILITATION WITH OR WITHOUT ACQUISITION	69
ATTACHMENT 9 – PROGRAM: TENANT-BASED RENTAL ASSISTANCE	74
ATTACHMENT 10 – PROJECT: RENTAL NEW CONSTRUCTON	79
ATTACHMENT 11 – PROJECT: RENTAL ACQUISITION WITHOUT REHABILITATION	85
ATTACHMENT 12 – PROJECT: RENTAL REHABILITATION WITH OR WITHOUT ACQUISITION	87
ATTACHMENT 13 – PROJECT: FIRST-TIME HOMEBUYER NEW CONSTUCTION	95
ATTACHMENT 14 – PROJECT: FIRST-TIME HOMEBUYER ACQUISTION AND REHABILITATION	101
V. RATING AND RANKING OF APPLICATION (Sections 8212 and 8213)	106
VI. FUND ADMINISTRATION	111
VII. FINANCIAL MANAGEMENT	113

TABLE OF CONTENTS

VIII. APPENDICES

- A. Eligible State HOME Jurisdictions
- B. HOME Subsidy 221(d)(3) Limits by County
- C. Maximum Purchase Price/After Rehab Value Limits
- D. HOME Program Rents
- E. HOME Program Income Limits (Adjusted)
- F. Rural Areas
- G. HOME Representatives and Assigned Geographic Areas (by County)
- H. State Uniform Multifamily Regulations (UMR)

HOME PROGRAM APPLICATION TRAINING MANUAL

I. INTRODUCTION: THE BASICS

The California Department of Housing and Community Development (Department) is responsible for administering the Home Investment Partnerships Program (HOME), with funding from the U.S. Department of Housing and Urban Development (HUD).

This manual provides information relevant to the State's HOME Program and how to apply for funding through the Notice of Funding Availability (NOFA) process. We urge you to thoroughly review the Final HUD regulations and the Federal Final Rule dated September 16, 1996, as amended, and the State's regulations adopted on March 14, 1997, as amended December 19, 2001, before completing an application. We encourage you to contact your HOME Representative to discuss your proposed project or program and to ensure that it complies with the HOME federal and State regulations.

The State regulations governing the HOME Program are found at Title 25, California Code of Regulations, commencing at Section 8200. They are hereinafter referred to as the "State regulation(s)." The federal regulations governing the HOME Program are contained in Title 24 of the Code of Federal Regulations, Part 92, commencing at Section 92.1 and are hereinafter referred to as either "federal regulation(s)" or the "Final Rule." The federal and State regulations are available at the HOME Program website, www.hcd.ca.gov/ca/home/.

Note to rental program and project applicants:

Rental programs and projects funded from the 2003 HOME NOFA will be subject to the State Uniform Multifamily Regulations (commencing with Section 8300, included as Appendix H in this manual). Appendix H represents the regulations the Department submitted to the State Office of Administrative Law for final review and approval at the time this manual was prepared. **The final State Uniform Multifamily Regulations (UMR) will be published on the State HOME Program website www.hcd.ca.gov/ca/home/ when the State Rulemaking Process is completed.**

PROGRAM FLEXIBILITY

The HOME Program allows recipients to design their housing programs in accordance with their local housing needs. The types of eligible housing activities are:

- multifamily (new construction; moderate or substantial rehabilitation; or acquisition);
- owner-occupied rehabilitation;
- first-time homebuyer (acquisition only; acquisition and rehabilitation; or new construction);
- tenant-based rental assistance

HOME Program participants determine the amounts of financing to be offered, the types of housing provided, the number of households assisted, and procedures to administer the programs.

TYPES OF ASSISTANCE

All HOME assistance is provided in the form of loans, except that grants may be provided for:

- tenant-based rental assistance,
- relocation payments, and
- the lowest-cost lead-based paint hazard evaluation and reduction activities in rehabilitation of owner-occupied housing and for acquisition and rehabilitation of housing by first-time homebuyers

ALLOWABLE HOME COSTS

HOME funds can be used for a variety of activities, including both hard costs and soft costs associated with the development of affordable housing, relocation-related expenses, and a variety of administrative tasks associated with the HOME Program. However, 2003 HOME funds cannot reimburse funded applicants for expenses incurred prior to the execution of the HOME Standard Agreement with the single exception that administration expenses for NEPA compliance work undertaken prior to the execution of the HOME Standard Agreement and after the issuance of the Conditional Award Letter may be reimbursed. However, the entity incurring the NEPA compliance expenses prior to the execution of the HOME Standard Agreement is solely, and completely responsible for those expenses and the State is in no way committed to paying those expenses until a HOME Standard Agreement is fully executed.

For awards made from 2004 HOME funds, NO environmental expenses will be reimbursable by the State prior to the Standard Agreement execution date.

HOME-eligible hard costs could include such things as acquisition of land, with or without existing structures (except that land banking is not eligible), site preparation or improvement, including demolition, and construction materials and labor.

HOME funds cannot be used for construction only financing where the HOME funds are not completely “rolled over” into permanent financing.

Some of the soft costs for which HOME funds can be used include financing fees, credit reports, legal and accounting fees, appraisals, environmental studies, project costs incurred by the recipients that are directly related to the project, and establishing an initial operating deficit reserves (up to 18 months) for new rental construction or substantial rental rehabilitation projects only.

This is not an exhaustive listing of the allowable items for which HOME funds can be used; you should consult with a HOME Representative and the State and federal regulations for additional information regarding allowable HOME costs.

ELIGIBLE PARTICIPANTS IN THE HOME PROGRAM

The State receives an allocation of HOME funds from HUD on an annual basis making the State a Participating Jurisdiction (PJ). The funds are made available under the State's general HOME Program on an annual basis to cities and counties that are not eligible to receive HOME funds directly from HUD, and to certified Community Housing Development Organizations (CHDOs) for activities in State-eligible jurisdictions. Jurisdictions that are in an urban county agreement for Federal Fiscal Year 2003 for the receipt of Community Development Block Grant (CDBG) funds are not eligible to apply for the State HOME funds if the county already receives HOME funds from HUD. Jurisdictions that are part of a HUD-approved consortium that receive HOME funds directly from HUD also are not eligible participants in the State of California HOME Program. See Appendix A of this manual for a list of State of California HOME Program eligible jurisdictions.

STATE RECIPIENTS

Cities and counties that are eligible to receive an award of HOME funds through the State HOME Program are called State Recipients. Cities are permitted to submit applications for activities only within their jurisdictional boundaries, and counties are permitted to submit applications for activities only within the unincorporated county.

CHDOs

A State-certified CHDO is a private non-profit corporation that has demonstrated that it has, among its purposes, the provision of housing that is affordable to low- and moderate-income persons. CHDOs must have a demonstrated capacity for carrying out activities assisted with HOME funds, and have a history of serving the community within which the housing to be assisted with HOME funds is to be located. Also in accordance with HUD rules, it must be organized under State or local laws, have standards of financial accountability, and have a tax exemption under Section 501(c)(3) or (4) of the Internal Revenue Code.

To maintain accountability to low-income community residents, at least one-third of a CHDO's governing board must be representatives of the low-income community. There are three ways to meet this requirement: through low-income residents, residents of low-income communities, or elected representatives of low-income community organizations. CHDOs must maintain a formal process for low-income program beneficiaries to advise the organization on aspects of a project, such as site control, design, and occupancy. A CHDO cannot be a public body nor be controlled by, or under the direction of, a public body or individuals or entities seeking to derive profit or gain from the organization.

A CHDO can be newly formed as long as it has already received its tax-exempt status; however, it must have provided a service to the community for at least one year prior to their application for certification as a CHDO. That service record may be satisfied through a parent organization if the CHDO-applicant has been in existence less than one year.

CHDOs with a current State certification that are proposing activities located in eligible cities or counties as described above that are included in the CHDOs approved service area. All non-profit applicants that are currently certified by the Department as CHDOs by the November 17, 2003 application deadline shall be considered eligible to apply for funding as a CHDO. All CHDO certification or recertification applications, or applications for changes in the CHDO's service area, must be submitted by November 17, 2003. NOFA applications from these applicants will not be ranked nor a conditional reservation of funds set-aside until the Department approves the CHDO certification or recertification. Currently certified CHDOs that have not been recertified within 6 months of the date of award will be required to be recertified as a condition of funding.

CHDO SET-ASIDE

A minimum of 15 percent of HOME funds must be set aside for housing to be owned, developed or sponsored by CHDOs. CHDOs are prohibited from applying to the State for HOME funds to perform activities that do not include owning, sponsoring or developing affordable housing. Following are the definitions of "owner, developer, or sponsor." (Refer to HUD CPD Notice 97-11):

1. CHDO as "Owner"
The CHDO is an "owner" when it holds valid legal title to, or has a long-term (99 year minimum) leasehold interest in a rental property. The CHDO may be an owner with one or more individuals, corporations, partnerships or other legal entities. If it owns the project in partnership, it or its wholly owned non-profit or for-profit subsidiary must be the managing general partner with effective control (i.e., decision-making authority) of the project. The CHDO may be both owner and developer, or may have another entity as the developer.
2. CHDO as "Developer"
A CHDO is a "developer" when it (a) either owns a property and develops a project, or has a contractual obligation to a property owner to develop a project, and (b) performs all the functions typically expected of for-profit developers, and assumes all the risks and rewards associated with being the project developer.
 - a) For rental housing, the CHDO must obtain financing, and rehabilitate or construct the project. If it owns the property, the CHDO may maintain ownership and

manage the project over the long term, or it may transfer the project to another entity for long-term ownership and management. If it does not own the property, the CHDO must enter into a contractual obligation with the property owner. This contractual obligation is independent of the Department.

OR

- b) For homebuyer programs, the CHDO must obtain project financing, rehabilitate or construct the dwelling(s), and have title of the property and the HOME loan/grant obligations transferred to a HOME qualified homebuyer within a specified timeframe. If it does not own the property, the CHDO must enter into a contractual obligation with the property owner. This contractual obligation is independent of the Department.

In both of the above scenarios, developer fees, as allowed by the Department, are eligible soft costs under Section 92.206 of the federal HOME Regulations.

3. CHDO as a “Sponsor”

A CHDO is a “sponsor” for HOME-assisted rental or homebuyer housing according to the circumstances outlined below. In either case, the CHDO must always own the property prior to the development phase of the project:

- a) For HOME-assisted rental housing, the CHDO may develop a project that it solely or partially owns and agrees to convey ownership to a second non-profit organization at a predetermined time prior to or during development, or upon completion of the development of the project. The HOME funds are invested in the project owned by the CHDO. The CHDO sponsor selects, prior to commitment of HOME funds, the non-profit organization that will obtain ownership of the property. The non-profit assumes from the CHDO the HOME obligation (including any repayment of loans) for the project at a specified time. If the property is not transferred to the non-profit organization, the CHDO sponsor remains liable for the HOME loan/grant obligation.

The non-profit organization must be financially and legally separate from the CHDO sponsor. (The second non-profit may have been created by the CHDO; nevertheless, it is a separate entity from the CHDO.) The CHDO sponsor must provide sufficient resources to the non-profit organization to ensure the development and long-term operation of the project.

OR

- b) For a HOME-assisted homebuyer program, the CHDO owns a property, and then shifts responsibility for the project to another non-profit at some specified time in the development process. The second non-profit, in turn, transfers title along with the HOME loan/grant obligations and resale/recapture requirements to a HOME-qualified homebuyer within a specified time frame.

The HOME funds are invested in the property owned by the CHDO. The other non-profit being sponsored by the CHDO acquires the completed units, or brings to completion the rehabilitation or construction of the property. At completion of the rehabilitation or construction, the second non-profit is required to sell (transfer) the property along with the HOME loan/grant obligations to a homebuyer.

This sponsorship role could include a lease-purchase approach whereby the second non-profit would lease the property to a homebuyer for a period not to exceed three years. At the expiration of the lease, the second non-profit must sell or transfer the property along with the HOME loan/grant obligations to the homebuyer. If the property is not transferred, the second non-profit retains ownership and all HOME rental requirements will apply.

CHDOs may apply for funds to carry out the following activities:

1. Rental New Construction
Rental Rehabilitation with or without acquisition
Rental Acquisition

All funds awarded to CHDOs for rental projects will be in the form of a loan to the non-profit, and the Department will underwrite the CHDO's loan and will be named as beneficiary in all deeds of trust (except as provided in Section 8219(b)(2)). In order to streamline this process and provide consistency in loan terms and underwriting practices, the Department has established loan terms and conditions (including the new State UMR), which are required of all CHDO rental projects.

The Department has developed a loan-closing guide for CHDO rental projects in which the Department is responsible for project underwriting and administration, and it is available by contacting a HOME CHDO Representative. The guide provides details on the loan closing process and forms used for all Department-administered CHDO rental loans. Prior to completing an application for CHDO rental project HOME funds, you should familiarize yourself with the closing guide and some of the underwriting parameters as highlighted below.

All loans to CHDOs will be in the form of a deferred loan for at least 55 years. Loans will bear interest at a rate of three percent simple interest per annum. Annual interest is payable to the Department from project residual receipts pursuant to the State UMR Section 8314.

The allowable developer fee is specified in the State UMR Section 8312 included in Appendix H of this manual.

2. First-Time Homebuyer New Construction
First-Time Homebuyer Acquisition and Rehabilitation

As with rental projects, when the Department directly lends to a CHDO to carry out the above activities, the Department has established loan terms and conditions and will be reflected as the beneficiary in all deeds of trust or deed restriction documents. In the case of loans made to first-time homebuyers, the CHDO and the primary lender will be responsible for qualifying the household and underwriting the individual loans.

In first-time homebuyer projects, primary financing from a non-HOME source is required. Homebuyers must obtain the maximum first mortgage financing available to them, consistent with an affordable monthly housing payment. HOME assistance may only be used for gap financing purposes.

All loans made by the Department to first-time homebuyers will accrue three percent simple interest per year for the first ten years only. Beginning in year eleven, interest will be forgiven at the rate of ten percent of the accrued interest per year until all of the interest is forgiven. All payments are deferred and payment of principal and any accrued interest is due on sale or transfer of the property. The loans are not assumable.

3. Predevelopment in connection with a specific project

CHDOs may request in their application that up to ten percent of the total amount of the project-specific request for funds be made available in the early stages of development for predevelopment and preconstruction expenses associated with the project. Prior to site control, CHDO predevelopment loans may be used for obtaining site control; initial feasibility studies; consulting fees; environmental studies; and architectural, legal, engineering and development team fees.

After site control, CHDO predevelopment loans (“seed money”) may be used for preconstruction costs, including but not limited to construction loan commitments, architectural plans and specifications, site control expenses, title clearance costs, cost of zoning approvals, engineering studies, and legal fees.

Use of HOME funds for preconstruction is intended only for situations where the predevelopment loan converts to permanent financing for the same project (i.e., this is not a revolving predevelopment loan fund).

This portion of an award may be made available for disbursement prior to meeting some of the federal overlay requirements. The State’s approval of all environmental documents required under NEPA environmental regulations might be required.

The CHDO must repay this portion of the award from construction loan proceeds or other project income. The Department may waive repayment of the loan if there are impediments to project development that the Department, in its sole discretion, determines are reasonably beyond the control of the CHDO.

CHDOs are prohibited from submitting applications for the following activities: tenant-based rental assistance, first-time homebuyer acquisition only, and owner-occupied rehabilitation.

TIMING

Contractors applying for **programs** are subject to compliance with expenditure milestones. These milestones will be based on the regulations that are in effect at the time that the State HOME Standard Agreement is executed.

Project contractors are required to meet the deadlines. These deadlines will be based on the regulations that are in effect when the State HOME Standard Agreement is executed. These deadlines will be contained in your HOME Standard Agreement with the Department after an award of funds. Failure to meet these deadlines shall result in the disencumbrance of HOME funding.

MINIMUM AND MAXIMUM HOME INVESTMENT

Maximums: The HOME Program has maximum investment limits as published by HUD [Section 221(d)(3) limits]. This is the maximum amount of federal HOME dollars that can be invested in each HOME-assisted unit. The limit is published by bedroom size and by locality. Appendix B includes a comprehensive list of the HUD 221(d)(3) maximum HOME subsidy limits by county. A subsidy layering analysis must be performed by the Department for all CHDO projects and by State Recipients for all projects funded by them.

At least 60 days prior to the set-up deadline, and or actual construction start the State Recipient must submit the complete project set-up package including the following documents. Construction must not begin until the State has approved these submittals and setup the project.

- Construction financing sources and uses statement,
- Permanent financing sources and uses,
- Development budget,
- Operating budget,
- Multi-year pro forma for 15 years, and
- Cash flow analysis
- Such other form that the Department may require to demonstrate the State Recipient's subsidy layering analysis

The Department will review this subsidy layering analysis and may request additional documentation. If the analysis indicates there is excess subsidy to a project, the Department will require a remedy determined appropriate to the activity, including, but not limited to, reducing the amount of the HOME allocation; requiring additional financing; requiring reduced rents; requiring additional affordable units. The Department must approve the subsidy layering analysis and the project setup prior to the beginning of construction.

Minimums: The minimum amount of HOME funds per unit is \$1,000 times the number of HOME-assisted units in the project. The minimum HOME investment does not apply to tenant-based rental assistance.

PURCHASE PRICE AND VALUE LIMITS

The HOME Program limits the purchase price/value limits of homeownership properties (for first-time homebuyer and homeowner rehabilitation projects) to 95 percent of the area median purchase price for that type of housing. The HUD-published limits are included in Appendix C. HOME Contractors may request an increase of their units by following the procedures identified in the HOME Final Rule, 24 CFR 92.254(a)(2)(iii) and submitting the required documentation to their HOME Representative.

FORMS OF FINANCIAL ASSISTANCE

A State Recipient may invest HOME funds as:

- Interest-bearing loans (except compensating balance loans)
- Non-interest-bearing loans
- Interest subsidies (principal reduction payments, interest rate buydowns, etc.)
- Deferred payment loans
- Grants for lead based paint abatement in 1) owner-occupied rehabilitation and) 2 first-time homebuyer acquisition and rehabilitation programs
- Grants for relocation assistance.

MATCH REQUIREMENTS

The use of HOME funds requires all recipients to provide a non-federal source of matching funds as a permanent contribution to the HOME Program. The premise for the match requirement is that the provision of affordable housing is the responsibility of all levels of government.

Applicants should ensure that they have an eligible source of match, have calculated the value of that match appropriately and that the timing of the match will coincide with the fund draw down request. This can be a complicated issue. HUD CPD Notice 97-03, "HOME Program Match Guidance" dated March 27, 1997, provides more detailed information regarding match and

provides some examples. You may request a copy from the HOME Program. It is strongly urged that you read this notice carefully and contact your HOME Representative if you need any guidance or have any questions in this critical area.

The value of the match contributed must equal a minimum of 25 percent of the HOME activity funds expended under the award (HOME administrative funds do not require a match).

Eligible match sources in a sufficient amount must be identified in the HOME Application to receive the maximum match points. State Recipients and CHDOs incur a “match liability” each time HOME funds are drawn from their HOME account. The match committed must be deposited or accounted for, prior to the draw down of funds pursuant to Section 8215 of the State HOME regulations (Project Set-Up and Disbursement of Funds). The State meets its match requirement under federal regulations by requiring its recipients to provide 25 percent match for the funds awarded to them by the Department.

The following is a descriptive listing of match sources:

1. Cash from non-federal sources, including grants, forgivable deferred payment loans, and grant equivalents of below-market interest rate loans
2. Foregone taxes, fees and other charges (including the net value of State Low Income Housing Tax Credits.)
3. Value of donated land or other real property
4. Directly-required infrastructure
5. Value of site preparation, construction materials, donated labor or professional services, including value of sweat equity
6. Applicable amount of bond financing
7. Direct cost of social or supportive services provided to HOME-assisted families
8. Direct cost of homebuyer counseling services to HOME-assisted families

The above sources of match are more fully described later in this section.

The following are ineligible match sources:

1. Contributions made with or derived from federal resources or funds (except miscellaneous income received from a closed-out CDBG grant when there are no other open grants).

2. Interest rate subsidy attributable to the federal tax-exemption on financing (e.g., bonds issued by State or local governments) or the value attributable to federal tax credits.
3. Owner equity or investment (except sweat equity).
4. Cash or other forms of contributions from applicants for, or recipients of HOME assistance or contracts, or investors who own, are working on, or are proposing to apply for assistance under the HOME Program.
5. A recipient's cost of administering HOME-assisted or HOME match-eligible affordable housing projects or rental assistance.
6. Contributions counted as a matching contribution toward any other federally-funded program.

The above are specifically prohibited in the Final Rule. Other forms of contributions that do not meet the requirements of 24 CFR 92.220 are also ineligible.

Cash Match. Cash match offers more flexibility than some other forms of match. Cash match can be provided from funds expended for either HOME-eligible costs or funds expended for HOME-ineligible costs. Examples of cash contributions spent for ineligible HOME costs that could be counted as match are: capitalization of or payments to a project replacement reserve or, capitalization of an operating reserve beyond 18 months for rehabilitation or new construction of a rental project, project-based rental assistance, or project operating subsidies.

In order to count the 100% of the match, all repayments of principal and interest and other return of match funds must be returned to the local HOME account or to the State's local account as program income.

State Tax Credits and Property Tax Exemption. Both State Tax Credits and the foregone property taxes allowed by State law are eligible sources of match subject to the following restrictions:

- For State Tax Credits, use the face amount from the TCAC letter; for foregone property taxes, use the waived taxes, i.e. normal and customary taxes less the actual taxes to be charged to the project.
- Only the present discounted cash value can be counted. For state tax credits, use the period of time stated in the TCAC award letter. For foregone property taxes, use the federal period of affordability. Use as a discount rate the Treasury rate with a maturity closest to the number of years for which the taxes, fees, or charges are waived, foregone, or deferred. Apply a 5% vacancy rate to the foregone taxes. Do not pro-rate the value of

State tax credits by the proportion of HOME units if all the other units are “HOME like” per Section 92.219(b) of the HOME Final Rule.

The value of donated land or other real property. The donation must be a permanent contribution to the project. The value of the land or property is determined through an appraisal by an independent, certified appraiser using recognized practices.

For property acquired with non-federal resources, the value of the match is generally the appraised value of the donated property, before HOME assistance is provided, minus any debt burden, lien or other encumbrance. For property acquired with federal resources, the value of the match will depend upon various factors including how the property is acquired and the parties involved. Please refer to HUD CPD Notice 97-03 for further details and calculation examples.

Investments in on- and off-site infrastructure. Infrastructure improvements must be directly related to the housing being assisted with HOME funds, must not have been paid for from federal resources and must have been completed no earlier than 12 months before HOME funds are committed to the project.

Since infrastructure improvements may serve HOME and non-HOME projects, the investment must be prorated accordingly when calculating the value of the match. Only that portion of the on- and off-site improvements attributable to the HOME-assisted units may count as match.

The value of site preparation, construction materials, donated labor or professional services, including sweat equity. The applicant must use its normal cost estimating procedures to determine the value of materials. The materials cannot have been acquired with federal resources.

The full value of the contribution may be counted as match (i.e., the rental rate multiplied by the number of hours for which the equipment is donated). The value of the labor or services is credited at the time the work is performed. For donated or voluntary skilled labor or professional services the value is the rate the person or entity normally charges for such labor or service. For unskilled donated or voluntary labor the current HUD-established rate is \$10 per hour. The value of sweat equity labor can be counted as match. The labor must be contributed under an established sweat equity component of a program. Only sweat equity contributed up to the point of project completion may be counted and the value of the labor is calculated using the same \$10 per hour rate used for unskilled labor.

The applicable amount of State or local housing bonds. Match can be provided from bonds issued by a State, local government, or agency, instrumentality, or political subdivision of a State for multifamily or single-family affordable housing that are repayable with revenues from the housing project (e.g., mortgage revenue bonds). To be eligible as match, the bond proceeds must be loaned or granted to a HOME-assisted or HOME match-eligible project.

No more than 25 percent of the Department's match liability for any one year can be met through loans to affordable housing projects from bond proceeds. However, the value of loans in excess of the 25 percent limit may be banked by the Department for future match liability.

The proceeds that may be counted as match by the Department are limited to:

1. 50 percent of the amount of loans made to multifamily affordable housing projects, and
2. 25 percent of the amount of loans made to single-family affordable housing projects.

The State will track the total of all bond proceeds included as match to ensure that the Department's match does not exceed the limits described above.

Direct cost of social or supportive services provided to HOME-assisted families. The value of the direct cost of supportive services provided to families residing in HOME-assisted units **ONLY** during the period of affordability or during the term of the tenant-based rental assistance contract can be counted as match. The services must be necessary to facilitate independent living or be required as part of a self-sufficiency program. Examples are: case management; mental health services; assistance with the tasks of daily living; substance abuse treatment and counseling; day care; job training and counseling. The services must be provided to residents of HOME-assisted units or receiving HOME tenant-based rental assistance.

Direct cost of homebuyer counseling services to HOME-assisted families. The value of direct costs of providing homebuyer counseling services can be counted as match. Only the value of the services provided to families who complete purchases of properties with HOME assistance under the provisions of federal HOME regulations section 92.254(a) may be counted. The costs of pre-purchase counseling as well as on-going counseling during the period of affordability are eligible.

Contributions to HOME match-eligible housing. For investment in non-HOME-assisted rental housing or first-time homebuyer projects (called HOME match-eligible) to count as match, it must meet specific requirements of the Final Rule as applicable.

Applicants who propose to meet their match obligation through investment in match-eligible housing must execute and record against the property a written agreement with the owner that specifically imposes all of the HOME requirements. The agreement must be executed and recorded against the property before an investment will count as match and the applicant must have procedures to monitor continued compliance with the agreement and ensure deposit of match repayments to the HOME Program income account, if required by the HOME Final Rule.

Match invested in HOME match-eligible housing can be in any of the match forms listed above, **except:**

1. foregone taxes, fees and other charges, including the amount of State Tax Credits;
2. directly-required infrastructure improvements;

3. social services or supportive services; and
4. homebuyer counseling services.

PERIOD OF AFFORDABILITY

Rental and first-time homebuyer units assisted with HOME funds are required to remain affordable for a designated length of time. The affordability period is dictated by the amount of HOME funds committed to each HOME-assisted unit and the type of housing activity funded. Rental projects (except rehabilitation-only loans) are required to have affordability periods of a minimum of 55 years. Also, Rehabilitation-only loans shall be as follows: 1) less than \$15,000 per unit = 10 years; \$15-40,000 per unit = 15 years; and greater than \$40,000 = 20 years. Section 92.254 (a) (4) addresses the period of affordability for homeownership.

NOTE: These are minimum affordability periods. The Department has established a policy that all HOME assistance must be in the form of loans repayable to HOME local accounts.

In addition, First-time Homebuyer loans cannot be assumed by a non-HOME eligible borrower. Assumptions can only be done if the subsequent buyer meets HOME income requirements, the First-time Homebuyer definition and intends to occupy the HOME as a principal residence. CHDO loans are not assumable.

LONG TERM MONITORING

Long-Term Monitoring will be performed by the Department on an on-going basis during the entire affordability period for rental projects. The Department has expanded the scope of monitoring to include field visits and office reviews for both State Recipients and CHDOs. HOME will verify continued compliance with federal requirements, i.e. Continued Income Eligibility, Continued Occupancy Eligibility, HOME Rents, Affirmative Marketing, Property Standards, Lead-based Paint, and Residential Lease. Additionally, CHDOs will be monitored for Regulatory Agreement compliance and Asset Management. See the HOME Contract Management Manual, Chapter 1; Section L, for more information.

INCOME ELIGIBILITY

The HOME Program uses the Part 5 (formerly known as Section 8) methodology for calculating income to determine eligibility for HOME assistance. Refer to the HUD publication "Technical Guide for Determining Income and Allowances for the HOME Program" for guidance on determining income eligibility, which is available upon request.

PROPERTY STANDARDS

Minimum property standards must be met when HOME funds are used for a project, per Section 92.251 of the Final Rule. For HOME tenant-based rental assistance projects, the standards set forth in the Section 8 Housing Quality Standards (HQS) must be met, at a minimum (24 CFR 982.401).

For new construction, recipients must comply with all applicable local building codes, rehabilitation standards, and zoning ordinances. Newly-constructed housing must also meet the requirements of the current edition of the Model Energy Code published by the Council of American Building Officials. California energy code standards exceed the requirements of the Model Energy Code.

For substantial rehabilitation, all applicable local codes, rehabilitation standards, and applicable local ordinances must be complied with. Currently there are no HOME requirements for energy conservation in substantial rehabilitation projects.

For homebuyer programs in which rehabilitation is involved after the transfer of ownership, properties must be free of health and safety defects before occupancy and not later than six months after transfer. The property must comply with applicable local codes within two years after the transfer of ownership.

Construction of manufactured housing must meet the Manufactured Home Construction and Safety Standards established in 24 CFR Part 3280. Installation of manufactured homes must comply with applicable State and local laws and codes.

II. ELIGIBLE ACTIVITIES

The HOME Program makes possible a broad array of rental and ownership activities to meet the housing needs of lower income persons and families. Most of the activities can be undertaken either by State Recipients (eligible cities and counties) or by CHDOs. Federal law prohibits CHDOs from undertaking tenant-based rental assistance, first-time homebuyer acquisition only and owner-occupied housing rehabilitation activities.

REHABILITATION OF EXISTING HOMEOWNER PROPERTY

Owner-occupied housing rehabilitation has been a component of local housing and community development programs for many years. The HOME Program offers another resource to meet this need.

Please note that CHDOs may not apply for owner-occupied housing rehabilitation programs because this activity is not consistent with the CHDO role of owner, developer or sponsor of the project(s) assisted with HOME funds. This is not an eligible expenditure from the CHDO set-aside.

Eligible Property Owners

Owners must have an annual gross income that does not exceed 80 percent of the median income for the area, as published by HUD.

- HOME uses the Part 5 (formerly known as Section 8) definition of low income (24 CFR Part 813). However, the value of the home is not involved in asset determination when determining annual income in owner-occupied rehabilitation projects.
- The assisted household must own the property.
- The property owner must occupy the property as his or her principal residence.

Eligible Property Types

Eligible properties include the following:

- A one- to four-unit property, see 24 CFR Section 92.254 (a)(5)(ii)(A)(6) for special considerations.
- A condominium or cooperative unit.
- A manufactured home, including mobile homes.

Property Value

The value of the HOME-assisted unit after rehabilitation must not exceed 95 percent of the median purchase price for the area, as published by HUD. Appendix C provides the current maximum purchase price/value limit information.

For purposes of homeowner rehabilitation, value may be established by a formal appraisal or an estimate of value conducted by qualified staff that has the demonstrated capability to accurately assess and report property value. The valuation must be done prior to making a commitment of HOME funds to the property; if the value is estimated to be above these limits, do not provide HOME funding to the unit.

Eligible Rehabilitation Costs

The following are eligible costs that may be paid or reimbursed with HOME funds:

Development Hard Costs

Work necessary to meet local building code requirements

Work necessary to meet locally-adopted rehabilitation standards

Energy-related improvements

Lead-based paint hazard mitigation (please note that HOME-assisted rehabilitation must meet federal lead paint regulations. For owner occupied rehabilitation or First Time Homebuyer Acquisition with Rehabilitation, the least cost alternative that complies with the regulations may be in the form of a grant, rather than a loan.)

Improvements for handicapped accessibility

Repair or replacement of major housing systems

Repairs and general property improvements of a non-luxury nature

Demolition costs (when part of the reconstruction of affordable housing)

Site Improvements and Utility Connections

On-site infrastructure costs

Off-site utility connections from the property line to an adjacent street

Related Soft Costs (reasonable and necessary only)

Architectural, engineering, specification writing or related professional services

Financing costs, such as private lender fees and points, credit and title costs, recordation fees, building permits, legal fees, appraisals

Relocation costs, if applicable

Activity Delivery Costs

HOME funds may be provided as a grant for Activity Delivery costs as defined at 24 CFR 92.206 (d)(6) and 92.206 (f)(2). These may be used for the actual implementation of the activity, must be drawn at the same time as Activity funds, and must be repaid if the Activity is not completed.

FIRST-TIME HOMEBUYER

HOME Program funds can be used in many ways to make homeownership affordable to low-income households.

Eligible Use of Funds

HOME funds can be used:

- for down payment and closing cost assistance, and
- to reduce monthly debt service on mortgages originated by the primary lender.

A primary lender is required for first-time homebuyer activities. HOME funds may only be used as gap financing, and only as necessary to provide affordable housing. Local jurisdictions and CHDOs that are awarded HOME funds are required to have a system for determining the need for HOME funds for each homebuyer.

Eligible Participants

The prospective purchaser(s) must meet three key eligibility criteria in order to participate in this program:

- must have an annual gross income that does not exceed 80 percent of the median income as determined by HUD for the area,
- must occupy the property after purchase as a principal residence,
- must be a first-time homebuyer as defined in the State HOME Regulations.

Eligible Properties

The HOME Program offers broad discretion in the types of properties that can be purchased in a homebuyer program. Properties can be privately or publicly held prior to sale to the homebuyer. In addition, homebuyers can purchase existing housing or newly-constructed homes. Homes may be constructed using either a contractor or self-help labor.

Eligible property types include the following:

- single-family units
- two- to four-unit properties (rental rules will apply to the rental units)
- condominium units
- manufactured or mobile home units
- cooperative units

CHDOs can only participate in homeowner activities where they will be the owner, developer or sponsor.

Property Standards for Existing Units

HOME funds can be used to purchase existing units. If the HOME Application is for First Time Homebuyer Acquisition only (Attachment 4), the property must meet the property standards outlined in 24 CFR Section 92.251(a)(2).

If the HOME Application is for First Time Homebuyer Acquisition and Rehabilitation (Attachment 5), the property must (prior to initial occupancy, and for at least six months after transfer of ownership), be free from health and safety defects. The unit must then meet the property standards outlined in 24 CFR Section 92.251(a)(1) no later than two years after transfer.

Units purchased with HOME assistance must meet federal lead paint regulations.

Purchase Price/Value Limits

The sales price of the HOME-assisted property cannot exceed 95 percent of the area median purchase price for that type of housing (see Appendix C for the purchase price limits).

Recapture Restrictions and Long-Term Affordability for Homebuyer Activities

The original borrower must be an eligible low-income household. However, once the household occupies the house, there is no ongoing income or payment standard. The HUD affordability requirements state that if the unit is no longer the principal residence of the original borrower, i.e. if the house is rented or leased or if the house is sold, the entire principal amount must be repaid to the State Recipient or in the case of CHDO loans, to the State. If the repayment occurs during the period of affordability, this repayment is considered **Recapture**, and is subject to the specific requirements pertaining to recapture as described in HUD CPD Notice 97-09. If the repayment occurs after the period of affordability, this repayment is considered Program Income.

The amount subject to repayment is the entire principal amount of the loan except that a) a State Recipient may utilize an equity-sharing arrangement which results in the repayment of more than the original principal amount; b) the State Recipient may permit the homebuyer to recover their investment prior to repaying the HOME principal amount.

See the federal regulations and HUD CPD Notice 97-09 for further information regarding recapture provisions involving single-family properties with more than one unit or lease-purchase options.

Activity Delivery Costs

HOME funds may be provided as a grant for Activity Delivery costs as defined at 24 CFR 92.206 (d)(6) and 92.206 (f)(2). These may be used for the actual implementation of the activity, must be drawn at the same time as Activity funds, and must be repaid if the Activity is not completed.

RENTAL HOUSING (Applicable to all rental activities, including Attachment 7, 8, 10, 11, and 12)

Important Reminder: The HOME award letter does not constitute final approval of the project. Final approval occurs only when the State sets-up the project in the federal Integrated Disbursement and Information System (IDIS). Developers of projects which will utilize tax credits, especially those projects which will start construction quickly, are specifically advised to consult with the State directly (for CHDO projects) or with the State Recipient and the State (for State Recipient projects) to ensure that all significant issues (especially environmental review, match, and subsidy layering analysis) are resolved. The

project must be set-up by the Department PRIOR TO THE START OF CONSTRUCTION and prior to any construction loan closing.

The Department has adopted regulations to provide uniform standards and program rules for multifamily rental housing developments assisted by the Department. These standards have been adopted by the Department as the State UMR commencing with Section 8300. In addition, they are expressly incorporated by reference in the State HOME Regulations as Section 8212.2.

These standards include Restrictions on Demolition, Site Control, Unit Standards, Tenant Selection, Tenant Recertification, Rental Agreement and Grievance Procedure, Operating Reserves, Replacement Reserves, Underwriting Standards, Development Costs, Developer Fees, Operating Cash Flow, Subordination Policy, and Leasehold Security.

These standards will be utilized by HOME when underwriting the rental housing development. Any underwriting standards that are contained in this manual or the HOME Application will be subject to the revisions contained in State UMR Sections 8300-8316 (attached as Appendix H). Please note: The HUD required subsidy layering analysis is still required and must be conducted on all projects per HUD Final Rule and CPD Notice 98-01.

Eligible Activities and Types of Projects

There is no limit on the number of HOME units per project. HOME rental projects must be permanent affordable housing and may be:

- New construction
- Acquisition
- Rehabilitation
- Acquisition and rehabilitation
- One or more buildings on a single site that are under common ownership, management and financing
- Single-family detached units
- SROs
- Group homes
- Mobile home parks where units and underlying land are rented
- Transitional housing, provided that tenants and landlords enter into lease agreements

NOTE: Cooperatives may be considered owner-occupied housing, not rental housing in the HOME Program, depending upon the structure of the cooperative. Emergency shelters are not eligible to be assisted with HOME funds. Additionally, projects assisted under Title VI of NAHA - Prepayment of Mortgages Insured under the National Housing Act and public housing projects are not eligible for HOME assistance.

HOME Subsidy Amount

The maximum amount of HOME subsidy is limited by the following considerations:

- the HOME 221(d)(3) limits, which vary depending on the county and the number of bedrooms per unit (see Appendix B)
- the number of HOME-assisted units in the project
- the total per-unit development cost, and
- the actual financial needs of the project

The total amount of HOME subsidy that can be invested in a project cannot be greater than the number of HOME-assisted units times the 221(d)(3) limits. For example, if a HOME applicant proposes a 10-unit new construction rental project and the applicable 221(d)(3) limit for the county is \$80,000 per unit, the maximum HOME subsidy would be \$800,000.

If the total cost of a 10-unit project is \$700,000 (\$70,000 per unit), the total HOME subsidy would be \$700,000 if HOME funds were the only source of funds. If there are other funds in the project, the financial need would be less than \$700,000. The HOME subsidy should be limited to the amount necessary to make up the difference between what the project costs and the total of other funds available to the project.

In all rental projects, a subsidy layering analysis must be conducted to ensure that no more than the necessary amount of HOME funds are being invested. The Department will conduct a subsidy layering analysis for all CHDO projects, and will review the subsidy layering analyses conducted by State Recipients for projects they fund.

At least 60 days prior to the set-up deadline, and or actual construction start the State Recipient must submit the complete project set-up package including the following documents. Construction must not begin until the State has approved these submittals and setup the project.

- Construction financing sources and uses statement,
- Permanent financing sources and uses,
- Development budget,
- Operating budget,
- Multi-year pro forma for 15 years , and
- Cash flow analysis
- Such other form that the Department may require to demonstrate the State Recipient's subsidy layering analysis

If the analysis indicates there is excess subsidy to a project, the Department may require a remedy determined appropriate to the activity, including, but not limited to, reducing the amount of the HOME allocation; requiring additional financing; requiring reduced rents; requiring additional affordable units. For more information on the requirements of a subsidy layering analysis, please read HUD's Subsidy-Layering Guidance CPD Notice 98-01.

Although the CPD notice requires the subsidy layering analysis only when other government resources are used in a project, the State, accepts the advice of the Notice to require this analysis for all rental projects. The complete State Recipient set-up package is due 60 days prior to the project set-up deadline.

HOME-Assisted Units

It is important to remember that:

- Only units receiving HOME funds are considered “HOME-assisted units;” note that certain match sources count toward meeting the match obligation only if they are attributable to the “HOME-assisted units” or to “HOME like units,”
- HOME subsidy limits, rent, and occupancy rules only apply to HOME-assisted units; and
- The number of HOME-assisted units in a project must be specified at the time of project commitment. Whether those units will be “fixed” or “floating” must also be designated at that time. “Floating” HOME-assisted units are not restricted to specific units, so that they can respond to changes in tenant occupancy as long as: (1) the total number of HOME-assisted units remains the same and, (2) the floating units are comparable in terms of size, features and number of bedrooms/bathrooms.

Specific units that are designated as the HOME-assisted units for the entire period of affordability are called “fixed” units.

Projects Involving HOME-assisted and non-HOME-assisted Units

When developing projects involving HOME-assisted and non-HOME-assisted units, owners must ensure that:

- A sufficient number of units are leased or held available for lease to HOME-eligible tenants in order to meet the low- and very low-income targeting requirements of the program.
- Rents charged to tenants in the HOME units are not greater than the High or Low HOME rent limits published by HUD (see definitions of High and Low HOME rents under HOME Rents below).

- Project development and operating costs are:
 - allocated on a rational, documented basis in accordance with actual unit-by-unit expenditures, or
 - project costs are prorated by a method that reflects the correct allocation to the HOME units within the project, or
 - a combination of both of the above methods, where unit-specific costs are applied to individual units and common costs are prorated proportionally to the number of HOME units.
- Federal relocation requirements apply to both HOME-assisted and non-HOME assisted units.

HOME Rents

Every HOME-assisted unit is subject to rent limits designed to make sure that rents are affordable to low-income households. The maximum rents are referred to as HOME rents. See Appendix D for current HOME Rents, which are based on Sec. 8 Fair Market Rents (FMRs). **HOME rent limits include an allowance for tenant-paid utilities, actual rent paid to the landlord, and any tenant-based rent subsidy.**

There are two HOME rents established for projects:

1. High HOME Rents
 All HOME-assisted rental units must have rents not to exceed the lesser of:
 - the Section 8 FMR's for existing housing (known as the HOME rents)
 - OR
 - rents established at 30 percent of 65 percent of HUD's area median income, minus tenant-paid utilities, as established by your Local Housing Authority (see Appendix E for current HUD income limits)
2. Low HOME Rents (required when there are five or more HOME-assisted units in a project)
 At least 20 percent of the HOME-assisted units must either:
 - have rents which are equal to or less than 30 percent of 50 percent of HUD's area median income
 - OR
 - in projects receiving federal or state project-based subsidies, where the tenants pay no more than 30 percent of their adjusted income for rent, the rent may be the rent allowable under the project-based subsidy program.

In projects also financed with 9% Low Income Housing Tax Credits, 40 percent of the HOME-assisted units must assist very low-income households and reflect rents that do not exceed the Low HOME rents.

The project's proposed unit rents, including a utility allowance for any utilities the tenant must pay (excluding telephone) and any tenant based subsidy must not exceed HUD's published rent limits.

Determining the Income Eligibility of HOME Tenants

Tenant income is determined using the published HUD income limits (see Appendix E of this manual). Annual income is the gross amount of income anticipated or projected to be received by all adults over the age of 18 years in the household during the 12 months following the effective date of the determination. Tenants in HOME units have their incomes verified at initial lease-up and then recertified for eligibility on an annual basis (one year from the initial date of income determination).

Over-income tenants (those who no longer qualify as low-income) in HOME-assisted units, in communities without local rent control, must begin paying at least the lesser of 30% of their income for rent and utilities or the comparable market rent. If the HOME-assisted unit is "fixed," the over-income tenant may be charged more than the comparable market rent, up to 30% of their adjusted income for rent and utilities. If the HOME-assisted unit is "floating," the comparable market rent is the maximum. Over-income tenants of HOME-assisted units in tax credit projects are generally governed by tax credit rules. Different rules apply for over-income tenants apply in joint tax credit HOME Projects.

Relationship of Occupancy to Rents

Occupants of HOME units will generally have annual incomes equal to or less than 60 percent of median income for the area. If the rents established are affordable to households earning 65 percent of median, there will be an affordability gap. The lower the actual income of tenants, the greater the gap. The implications of this are as follows:

- Projects, even if well designed and managed, may not be attractive or affordable to low-income tenants who face paying a high percentage of their income for rent.
- Project developers may need to request deeper subsidies in exchange for lower, more affordable rents.

HOME-assisted rental units are controlled for varying lengths of time depending upon the period of affordability (refer to the section in this manual on the Period of Affordability). These affordability periods are the minimum periods only and longer periods can be designated. Annually HUD publishes HOME rents so that participants in the HOME Program can establish new HOME rents and rent increases for projects, if necessary (see Appendix D of this manual).

Occupancy of HOME-Assisted Rental Units

HOME rental housing has two constraints on occupancy:

Program Wide Rule (applicable also to each rental project)

During the first year of occupancy, 90 percent of all tenants receiving HOME assistance through rental units and TBRA have incomes that are 60 percent or less of the area median. The balance may have annual incomes between 60 percent and 80 percent of median.

Individual Project Rule

The “project” rule specifies the occupancy of units in each rental project. In projects of 5 or more HOME-assisted units, for the period of affordability at least 20 percent of the HOME-assisted rental units must be occupied by families who have annual incomes that are 50 percent or less of median income. In projects financed with 9% Low Income Housing Tax Credits, 40 percent of the HOME-assisted units assist very low-income households. These very low-income tenants must occupy units at or below the Low HOME Rent level, discussed previously. Projects with fewer than 5 units do not have to restrict any units to the Low HOME rents or limit occupancy to tenants at 50 percent or below the area median income. The units in these smaller projects may be rented at the High HOME rents and may be occupied by tenants at or below 80 percent of the area median income, as long as they first meet the Program Wide Rule described above. In practice, virtually all HOME-assisted rental units will be initially occupied by tenants with annual incomes of 60 percent of median or less in order to meet the overall targeting requirements described above under Program Wide Rule.

The following table illustrates these requirements. The following assumptions have been made: a) the project is a 10-unit rental complex, and b) all 10 units are HOME assisted.

Unit Number	Rents	Tenant Income Limit at Initial Occupancy	Tenant Income Limit after Initial Occupancy for period of affordability
1	High HOME Rent	80% of Area Median Income (AMI)	80% of AMI
2	High HOME Rent	60% of AMI	80% of AMI
3	High HOME Rent	60% of AMI	80% of AMI
4	High HOME Rent	60% of AMI	80% of AMI
5	High HOME Rent	60% of AMI	80% of AMI
6	High HOME Rent	60% of AMI	80% of AMI
7	High HOME Rent	60% of AMI	80% of AMI
8	High HOME Rent	60% of AMI	80% of AMI
9	Low HOME Rent	50% of AMI	50% of AMI
10	Low HOME Rent	50% of AMI	50% of AMI

Tax credits and HOME funds may be used together to finance rental projects. The requirements for income targeting and allowable basis are very complicated in combined tax credit and HOME projects. Applicants are strongly advised to consider the feasibility of such projects prior to submitting their HOME Application.

Enforcing Rent and Occupancy Agreements

HOME Program rent and occupancy standards must be enforced through either covenants running with the property or deed restrictions (commonly through a regulatory agreement). Rental Property owners may not opt-out of their affordability requirements even if they pay off the loan. Although the loan may be repaid, the affordability requirements must still be enforced by the State Recipient (or for CHDOs, by the State.) Loan repayments must be returned to the State, which must return the funds to the federal treasury.

Rental Housing Program Design and Implementation

In designing a HOME rental-housing program, you should consider:

- What is the overall condition of the rental housing stock? What is the condition of the typical low-income rental project? What kinds of rental projects would address the rental housing needs?
- What is the condition of the rental housing market? Is there an overall shortage of units? A shortage of low-cost units? A shortage of decent low-cost units? What is needed in the local market to meet the needs of low-income renters?
- How much in HOME funds per unit will be required to subsidize the projects?
- How do market rent levels compare with HOME rents? Will marketing be a problem?

Activity Delivery Costs

HOME funds may be provided as a grant for Activity Delivery costs as defined at 24 CFR 92.206 (d)(6) and 92.206 (f)(2). These may be used for the actual implementation of the activity, must be drawn at the same time as Activity funds, and must be repaid if the Activity is not completed.

TENANT-BASED RENTAL ASSISTANCE

Tenant-based rental assistance (TBRA) is a rental subsidy program that State Recipients can use to assist an eligible tenant with rent and utility costs, as well as to pay security and the last month's rent deposits. TBRA programs directly assist individual households (rather than providing subsidies to projects) to make housing affordable. The Section 8 Rental Certificate and Rental Voucher Programs are forms of TBRA. HOME-funded TBRA programs work in a similar manner.

TBRA payments make up the difference between the amount the family can afford to pay for housing costs (rent and utilities) and the actual cost of the housing selected by the household. Although under the Section 8 programs, the subsidy payment goes to the landlord on behalf of the eligible household, under HOME, State Recipients have the option of making the payment to the tenant or to the owner.

The assistance must be tenant-based, not project-based. Tenants must be free to use their assistance in any eligible unit. State Recipients have the option of designing their own HOME TBRA programs. They may use the Section 8 Rental Certificate or Rental Voucher Programs as a model or design their own program, such as a security deposit program, or a program that only assists households by paying the last month's rent deposit. State Recipients may directly administer the program or subcontract with a public housing authority (PHA) or other entity to administer the program on their behalf. NOTE: This is not an eligible activity with CHDO set-aside funds; therefore, CHDOs may not apply to administer TBRA programs under the State's HOME Program. **TBRA activities are not eligible to receive Activity Delivery Costs.**

Eligible Participants

HOME TBRA is limited to tenants who have incomes at or below 80 percent of median income. At least 90 percent of HOME-assisted households must have incomes at or below 60 percent of median income, as noted previously in the discussion of the Program Wide Rule in the rental project section.

The State Recipient may establish a separate preference list for individuals with special needs, such as persons with HIV/AIDS or chronic mental illness. If establishing a special needs preference list, the specific needs groups proposed for assistance must be identified in the State's Consolidated Plan as having unmet needs. Check with the Department prior to application for clarification if you plan to establish a separate preference list.

Eligible Units

Tenants receiving HOME TBRA must use the assistance in units that:

- Meet Section 8 Housing Quality Standards (HQS). Inspections are made at initial occupancy and annually during the length of the contract.
- Rent for a reasonable amount, compared to rent charged for comparable unassisted units.
- Are not in projects that have already received funds such as Section 8 substantial or moderate rehabilitation, or public housing funds.

HOME considers cooperatives to be owner-occupied housing depending upon the structure of the cooperative. Therefore, HOME TBRA may not be used to assist cooperative owners.

Amount of Subsidy

The State Recipient establishes the amount of subsidy within HOME Program Guidelines:

- Maximum subsidy: The State Recipient may pay the difference between a “rent or payment standard” established by the State Recipient and 30 percent of the household’s monthly adjusted income.
- Minimum tenant contribution to rent: The State Recipient must establish a minimum tenant contribution to housing cost (rent and utilities).

Both Section 8 Rental Certificate and Rental Voucher programs meet the HOME regulation requirements regarding maximum subsidy and minimum tenant contribution. **The \$1,000 minimum per unit requirement of the HOME Program does not apply to TBRA.**

Length of Assistance

The assistance contract is for a maximum of 24 months and can be extended an additional 24 months as long as funds are available from a subsequent HOME allocation and the applicant is selected to receive funding for that purpose. The tenants must re-qualify at the beginning of any extension period. When the assistance expires, tenants who were selected from the PHA’s waiting list may return to the same spot on the list and qualify for the same tenant selection preferences as when they were originally selected for the HOME Program assistance.

Using TBRA for Anti-displacement Activities

HOME TBRA can only be used to assist tenants living in a HOME-assisted rental unit to avoid economic displacement or to pay benefits to tenants relocated from a rental project acquired and/or rehabilitated with HOME funds.

Economic Displacement:

Even when HOME funds are used to develop affordable rental housing, some tenants may be adversely affected economically. In a HOME project, if post rehabilitation gross rents (rent and utilities) exceed the affordability level for a tenant, the tenant is considered “rent burdened.” A tenant who moves for this reason is considered “economically displaced.” Rent burden can exist even when a tenant occupies a HOME-assisted unit that has rent set at the Low HOME Rents. For example, the Low HOME Rent is designed to be affordable to households at 50 percent of median income paying 30 percent of their income for rent. This rent would not be affordable to a

household whose income is 20 percent of the area median. To avoid economic displacement, HOME TBRA or Section 8 assistance can be provided to make the proposed rent affordable to the tenant.

TBRA as Relocation Assistance:

HOME TBRA may be offered to displaced low-income tenants as an alternative to the Replacement Housing Payment required by the Uniform Relocation Act (URA) or Section 104(d). The value of the monthly HOME TBRA must be equal to or greater than the monthly value of the tenant's Replacement Housing Payment.

URA rules require that displaced tenants be given the choice of TBRA or a cash replacement housing payment. Section 104(d) gives the option of providing Section 8 assistance or cash payment to the State Recipient. Under Section 104(d), if Section 8 assistance and suitable referrals are offered, a displaced person cannot insist on cash replacement housing payments.

Tenants who accept HOME TBRA must be assured of at least 42 months of assistance when the URA applies and 60 months of assistance when Section 104(d) applies. Since the maximum term of TBRA from a single HOME award is 24 months, it is possible that HOME TBRA funds will be exhausted prior to meeting either the 42 or 60 month obligation. Similarly, Contractors using Program Income for TBRA may run out of Program Income prior to meeting the 42 or 60 month obligation. Contractors who lose HOME TBRA funds for any reason must provide the required relocation assistance through other means.

Program Design Issues

The following issues should be considered when designing a TBRA program:

1. Should the State Recipient design its own program or use Section 8 as a model?
2. Whom will the TBRA Program serve?
3. What kind of TBRA will be provided?
4. Where will the TBRA be used?
5. Who should receive the payment?
6. How much funding is required?
7. How will the subsidy be calculated?
8. Does the applicant have the fiscal capability to manage a TBRA program?

The Section 8 Program has a proven track record and is a good model for the TBRA Program. Many jurisdictions opt to subsidize an existing Section 8 Program with the HOME funds. The most compelling reason for electing to design a new program would be a State Recipient's desire to administer a security deposit or the last month's rent program, or a program in which the payment goes directly to the tenant. These options are not available under the Rental Certificate or Voucher programs.

III. FEDERAL OVERLAY REQUIREMENTS

A number of federal overlay requirements apply across a wide range of federal programs, including HOME. State Recipients and CHDOs are responsible for compliance with the various rules and regulations and should make themselves conversant with the following, in order to assure that program design considers their potential impact.

Federal Overlay Requirements:

Audits

Disbarment

Equal Opportunity and Fair Housing

Section 3

Section 504 (Handicapped Accessibility)

NEPA Environmental Review

Relocation

Labor Standards

Lead-Based Paint

Procurement (Conflict of Interest)

This manual will only provide a brief overview of the federal overlay requirements. For more detailed information regarding these issues, refer to Parts 92.350 through 92.355 of the Federal Final Rule and the Department's HOME Contract Management Manual.

Compliance with OMB Circular A-133

Circular A-133 is issued by the Office of Management and Budgets pursuant to the Single Audit Act of 1984, P.L. 98-502, and the Single Audit Act Amendments of 1996, P.L. 104-156. It sets forth the standards for obtaining consistency and uniformity among federal agencies for the audit of states, local governments, and non-profit organizations (including CHDOs) expending federal awards such as HOME funds. Cities and counties not exempted from the requirements of OMB Circular A-133 must submit their audits to the State Controller. Non-profit organizations (including CHDOs) not exempted must submit their audits to the California Department of Housing and Community Development. Non-federal entities that expend more than \$300,000 or more in a year (\$500,000 after December 31, 2003) in federal awards shall have a single or program-specific audit conducted for that year in accordance with the provisions of Subpart B, Circular A-133.

Debarment, Suspension and Other Responsibility Matters

Executive Order 12549 (dated February 10, 1986), requires all projects using federal funds (including HOME) to certify to the best of their knowledge that they (or any other principal person) have not been disbarred or suspended from participation in a transaction with any federal

agency. This certification must be included in all bid requests and contracts entered into by the HOME contractor, contractor and subcontractors on projects using HOME funds and provided to your HOME Representative prior to project setup.

Equal Opportunity and Fair Housing

No person in the United States shall on the grounds of race, color, national origin, religion, age, ancestry, familial status, handicap, sex or any other arbitrary basis be excluded, denied benefits, or subjected to discrimination under any program funded in whole or in part by HOME funds. To ensure that all recipients of HOME funds (tenants, homeowners receiving HOME assistance, vendors and contractors working with HOME funds) are not discriminated against, State Recipients and CHDOs must follow all relevant Equal Opportunity and Fair Housing requirements. The major categories where equal opportunities must be provided are program benefits, employment and contracting.

There are certain minimum requirements in each of these areas. In addition, it is incumbent upon the State Recipient or CHDO to develop procedures to fulfill the responsibilities agreed upon in the application's certification and the HOME Standard Agreement executed by the State Recipient or CHDO.

1. Program Benefit: In defining the client group which will benefit from the program, care must be taken not to exclude minorities or groups based on race, color, religion, age, ancestry, familial status, handicap, national origin, or sex, or any other arbitrary basis.

Although there may be nothing overt in the location of a project, or eligibility requirements which would exclude these groups, a history of past exclusion or discrimination may require special efforts to include these groups in the program. These efforts may include paying for an interpreter or translator, providing fair housing counseling, providing financial counseling, or undertaking an advertising campaign in minority communities.

2. Employment: If the proposed program or project requires hiring personnel, the hiring process must provide equal opportunity for all qualified persons. This includes efforts to publicize job announcements in minority areas and through minority media, reaching out to organizations to better inform those who are not likely to apply of the job and contracting opportunities, providing training, ensuring that job descriptions only include job-related selection criteria, and having a fair and open competitive selection process.
3. Contracting: If the applicant anticipates contracting for any portion of the program, there are two areas relevant to nondiscrimination: (1) utilization of minority-owned, women-owned and Section 3 businesses (generally those which are majority owned by or which employ a large percentage of low-income residents of the community where the project is located) whenever possible, and; (2) ensuring that all construction contracts over \$10,000

include requirements that the contractor will take affirmative action in employment. Contractors are required to place minority- and women-owned businesses on solicitation lists and make sure they are actually solicited for bids.

4. Fair Housing: All recipients of HOME funds must adopt affirmative marketing procedures and requirements for rental and homebuyer projects containing 5 or more units of HOME-assisted housing. In addition, all recipients must keep records of the ethnicity, race, gender, disability and age of the target area residents, of all applicants, of those who were chosen and those who were rejected and those who are on the waiting list.

For new construction and substantial rehabilitation, both State Recipients and CHDOs must ensure that the project is not located in an area of minority concentration, which is defined as any neighborhood where the percentage of minority population significantly exceeds the percentage of minorities in the community as a whole. There are two exceptions to this definition: 1) similar housing opportunities exist in non-minority or mixed racial/ethnic areas of the community, or 2) there is an overriding and documented need for housing in the area and no other site is acceptable in the community.

Section 3

The purpose of Section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u)(Section 3) is to ensure that employment and other economic opportunities generated by HOME-funded construction and rehabilitation projects shall, to the greatest extent feasible, be directed to low-and very low-income persons of the community where the project is located, particularly those who are recipients of government assistance for housing. Employment and other economic opportunities must be directed toward both Section 3 residents and Section 3 businesses.

Federal regulations for Section 3 are located at 24 CFR Ch.1, Part 135. Section 3 regulations should be reviewed by applicants for HOME funding to ensure that they will be able to comply with the requirements. The Department's HOME Contract Management Manual contains additional information about Section 3 and includes the Section 3 Contract Clause (as an appendix) which must be included in all HOME-funded construction and rehabilitation contracts.

Section 504

Section 504 of the Rehabilitation Act of 1973 prohibits discrimination in federally-assisted programs on the basis of handicap. These regulations impose requirements to ensure that "qualified disabled individuals" have access to programs and activities that receive federal funds.

Section 504 requires the removal of physical barriers in some HOME-funded projects. In new construction and substantial rehabilitation (repairs that equal or exceed 75 percent of the

replacement cost) projects, five percent of the units must be accessible to individuals with mobility impairments, and an additional two percent must be accessible to individuals with hearing or vision impairments. Requirements for multi-unit moderate rehabilitation projects are less stringent.

At project setup, an architect's certification will be required, certifying that the project fully complies with all Section 504 requirements.

Environmental Review Requirements

State Recipients and CHDOs are responsible for undertaking environmental reviews in accordance with the National Environmental Policy Act (NEPA) at 24 CFR Part 58. It is recommended that environmental review activities be initiated as early as possible, since this can be a lengthy process. State Recipients and CHDOs should read and become familiar with 24 CFR Part 58, effective April 30, 1996 and the Technical Amendments dated March 30, 1998, in order to understand their responsibilities under these environmental laws.

The environmental review process consists of numerous steps. The preparation and approval of an Environmental Review Record can take from one week to four months depending upon the proposed activity and the location of the activity. Typically, tenant-based rental assistance programs, down payment or closing cost assistance programs for first-time homebuyers (unless combined with new construction), and administrative expenses are the types of activities or programs that require minimal environmental review. New construction, substantial rehabilitation, or other development projects that have the likelihood of a more significant impact upon the environment will require an Environmental Assessment, thereby increasing the processing time to four or more months. Compliance with historic preservation and flood plain management regulations requires additional analysis and will lengthen the review timeline.

There are strict limitations on the types of expenditures that can be made prior to environmental approval. Projects being developed without federal assistance are not subject to NEPA. However, once an applicant pursues HOME assistance, specific limitations exist with regard to expenditures made prior to environmental approval. An organization cannot undertake any "choice limiting actions" (i.e., acquisition, excavation, filling, construction, rehabilitation, or any other actions defined in HUD CPD Notice 01-11 prior to the Department or HUD release of the environmental special condition). Environmental clearance for projects means receipt of the Authority to Use Grant Funds form (HUD-7015.16). Environmental clearance for programs may be the Authority to Use Grant Funds form or a letter from the Department. Contractors who commit choice limiting actions do so at their own risk. If the environmental clearance is not issued by the Department or HUD, HOME funds cannot assist the proposed housing activity.

If the HOME applicant has previously prepared a NEPA (not CEQA) environmental review of the same project activity and site for another funding source, the review may be adopted by the

certifying agency if it complies with 24 CFR Part 58. Taking this action may save valuable processing time and additional cost. However, the HOME applicant may need to publish new notice(s). If the notice has not yet been published for the other federal funding source, it may be possible to publish one notice for both programs provided that you conduct any additional environmental review required for the HOME Program.

The Environmental Chapter in the Department's HOME Contract Management Manual contains the latest federal revisions.

Relocation

Consistent with the goals and objectives of the HOME Program, you must take all reasonable steps to minimize the displacement of persons as a result of your HOME project or program. In order to minimize displacement and provide appropriate relocation benefits to those who have been displaced, all State Recipients and CHDOs will be required to comply with the requirements of the Uniform Relocation Act and also Section 104(d). Noncompliance with federal relocation requirements can drive project costs up to a level where the project becomes infeasible as an affordable housing project. It is imperative that you pay close attention to the relocation regulations if proposing the rehabilitation or acquisition of an occupied rental project or new construction on occupied property.

Relocation and displacement of tenants is an expensive, time consuming process, but the effects can be minimized by considering the following:

- Whether you and your staff have a thorough understanding of the federal relocation requirement [URA and 104(d)] prior to entering into negotiations for a particular project.
- Whether or not displacement will occur as part of funding decisions and project feasibility determinations.
- Assuring, whenever possible, that residential occupants of buildings to be rehabilitated are offered an opportunity to return.
- Planning rehabilitation projects to include "staging" if this would minimize displacement.
- Follow notification and advisory services procedures carefully to assure that families do not leave because they are not informed of project plans or their rights. This can be a very costly mistake.
- Using HOME Program TBRA to subsidize the displaced households.

Tenants residing in a proposed HOME-assisted project are entitled to receive written notice of the impending project and their rights under federal relocation law. In determining the point in time in which they should be given notice, the earliest points in time should be used as follows:

- Initiation of negotiations (execution of agreement between buyer [recipient of HOME funds] and seller) per the URA;
- Submittal of application to the Department (NOFA application deadline date) if the application is site-specific;
- Start of site-specific environmental review if application to the Department was not site-specific.

Relocation requirements will also be enacted if a first-time homebuyer proposes to purchase a home that has been occupied by a renter in the four months preceding the date of the purchase agreement. Many localities require that first-time homebuyers only purchase homes that are owner-occupied or vacant.

State Recipients and CHDOs proposing project-specific activities should pay particular attention to the potential for relocation expenses, since this could add a significant cost to a project and will effect the ultimate cost of the project.

Labor Standards

Davis-Bacon wage compliance and other federal labor laws and regulations apply to construction contracts on all projects with 12 or more HOME-assisted units, regardless of whether HOME funds are used for construction or other costs. There has been some confusion in the past regarding projects in which a number of funding sources are involved and the method for determining the number of HOME-assisted units.

The actual number of units which count as “HOME-assisted” can be determined in a variety of ways, including the following:

- In projects where HOME funds are used for construction, rehabilitation, or acquisition of a large project, HOME funds are taken as a percentage of the total eligible development cost of the project. That percentage is applied to the total number of units in the project. For example, if HOME funds represent 30 percent of the total development cost of a project, 30 percent of the total number of units in the project are considered “HOME-assisted units.” If that number is 12 or more, the project must comply with Davis-Bacon wage provisions. (A similar test must be performed based on the square footage of the HOME-assisted units compared to the total square footage of all units in the project.) Regardless of the calculation, the total HOME subsidy cannot exceed the 221(d)(3)

limits. Also regardless of the calculation, if the application is submitted and it is proposed that HOME funds be used to provide assistance to 12 or more units, Davis-Bacon wages will be required and the total number of HOME-assisted units may not be changed at a later date.

- In a project where households or units are receiving direct HOME assistance, the application submitted to the Department for consideration will reflect the actual number of units receiving HOME assistance and that number will be reflected in the HOME Standard Agreement. If the number reflected in the application and contained in the HOME Standard Agreement is 12 or more, the project must comply with federal labor standards and provisions. This includes First-time Homebuyer programs, where 12 or more lots are being developed.

In all HOME-assisted projects, some degree of basic labor compliance is required, such as verifying that a contractor is licensed and in good standing with the State of California, as well as determining if the contractor has been debarred by the Federal Government from working on projects in which federal funds are being used.

We recommend that you contact your State HOME Representative to determine the applicability of federal wage requirements and other related provisions.

Lead-Based Paint

All units built before 1978 and assisted with HOME funds must comply with 24 CFR Part 35, the regulations implementing the Lead-Based Paint Poisoning Prevention Act. This includes all tenant-based rental assistance units, all pre-existing units for first-time homebuyer projects and all units to be rehabilitated (owner and rental).

New HUD lead-based paint regulations have become effective January 10, 2002. These regulations, which affect the HOME Program, include:

- All tenants or homeowners residing, or about to reside in structures built prior to 1978 must be notified of possible lead-based paint hazards. The notification forms should be requested from your HOME Representative.
- All units built prior to 1978 must be inspected for defective paint and all defective paint must be treated or abated by qualified or certified personnel.

The Department's HOME Contract Management Manual provides additional information regarding lead-based paint requirements.

Procurement Standards (Conflict of Interest)

When purchasing and contracting for supplies, equipment, construction and other services acquired in whole or in part with HOME funds, State Recipients must comply with the procurement procedures and requirements of 24 CFR Part 84.40 and 85.36.

Procurement Requirements for State Recipients Using Administrative Subcontractors

State Recipients which use HOME funds for an Administrative Subcontractors must follow a competitive Request for Proposal /Request for Qualification process to select the Administrative Subcontractor. The key elements of this process are as follows:

- Solicitation by mail to at least three active Administrative Subcontractors in either the CDBG or HOME Programs. We recommend the use of our list of all known Administrative Subcontractors, which is available upon request. Allow at least three weeks for responses.
- Include in the mailing a summary of the duties to be performed and the methodology for making your selection. If price is not a factor, specify how much funding is available for the contract.
- If only one responsive bid is received, you must obtain advance State approval (“sole source” approval). Note: simple letters refusing to submit a bid are not considered “bids.”

We recommend that you follow this process now, before identifying the Administrative Subcontractor in your application. You may follow the process after the application is awarded, but if you select an Administrative Subcontractor other than the one identified in your application, you must obtain State approval of the new Administrative Subcontractor.

CHDOs are not bound by these requirements and may utilize any accepted business, contracting, and purchasing procedures which are calculated to obtain project costs that are reasonable and which are in written form, approved by the organization’s Board of Directors.

You should be very careful in the manner in which you select projects to be assisted through your application for HOME funds. It is not acceptable to select projects based on the mere fact that a developer enters your office and needs low-interest funds to construct a rental project, for example. While the developer may have a feasible and cost-effective project, others in the community must be afforded an equal opportunity to submit projects for consideration. Many times, projects will be selected by the jurisdiction, but must then be placed on a City Council’s or Board of Supervisors’ agenda. This process gives other interested parties an opportunity to voice their concerns and to submit additional projects for consideration. If such a process is not followed, a similar approach should be used, in which the general public is aware of the fact that you are applying for assistance from the HOME Program and that you are seeking proposals for low-income rental projects, first-time homebuyer developments, rental rehabilitation projects, etc. Once the developer has been selected, the developer may choose any construction contractor.

IV. THE APPLICATION PROCESS

Applicants are required to use the application form supplied by the Department. The application is located on the HCD home page, at www.hcd.ca.gov/ca/home, or if you are unable to access this website, by request to HOME@hcd.ca.gov. In accordance with the 2003 HOME NOFA, please submit two original and completed applications to the Department. The NOFA describes the application process, the deadline for the application submittal, and any additional requirements that are needed prior to filing. Review the NOFA carefully prior to completing an application.

Use the 2003 HOME Program Application only. When you have completed your HOME Application, carefully review the document prior to submitting it (with a second original application) to the Department. No information (whether written or oral) will be accepted after the application is submitted or after the application deadline.

If you have questions concerning the preparation of your HOME Application, please contact your HOME Representative for assistance. For your reference, a list of “HOME Representatives and Geographic Areas by County” is included as Appendix G in this manual.

The HOME Application includes:

Exhibit 1¹	(HOME Program Application: HOME-1)
Exhibit A¹	(Attachment Checklist)
Exhibit B	(Sample Governing Board Resolution for preparing Attachment 15)
Exhibit C	(Sample Governing Board Resolution for City/County Administering CHDO Applicant's Activities for preparing Attachment 16)
Attachment 1³	(State Recipient to Administer CHDO Applicant's Local Program)
Attachment 2¹	(Information on City, County or CHDO Capability)
Attachment 3³	(Information on Administrative Subcontractor Capability)
Attachments 4 - 9²	(program activities) First-time homebuyer acquisition only (Attachment 4) First-time homebuyer acquisition and rehabilitation (Attachment 5) Owner-occupied rehabilitation (Attachment 6) Rental acquisition without rehabilitation (Attachment 7) Rental rehabilitation with or without acquisition (Attachment 8) Tenant-based rental assistance (Attachment 9)
Attachments 10 - 14²	(project activities) Rental new construction (Attachment 10) Rental acquisition without rehabilitation (Attachment 11) Rental rehabilitation with or without acquisition (Attachment 12) First-time homebuyer new construction (Attachment 13) First-time homebuyer acquisition and rehabilitation (Attachment 14)

Attachment 15¹ (Governing Board Resolution - prepared by the applicant)
Attachment 16³ (Governing Board Resolution - prepared by the State Recipient Administering a CHDO's Program)

¹ **Required to be fully filled out by every applicant**

² **At least one program or project activity attachment must be submitted**

³ **As applicable**

Although the HOME Application appears to be lengthy and complex (and the application form and some exhibits apply to every applicant) only one attachment needs to be completed for each program or project. For example, if you are a State Recipient submitting an application proposing to use HOME funds to construct a rental project and you have hired an administrative subcontractor to oversee the administrative portion of your project, you must submit the HOME Application (HOME-1), Exhibit A, and Attachments 2, 3, 10 and 15. Another example: If you are a CHDO proposing to use HOME funds to rehabilitate a large rental project and you have arranged for a State Recipient to administer the HOME Program on your behalf, you would submit the HOME Application (HOME-1), with Exhibit A and Attachments 1, 12, 15, and 16.

The rating and ranking process is outlined in the NOFA and in more detail in the State HOME Regulations. Applications are evaluated either as programs or projects. Applicants must use the forms provided by the Department without alteration or modification. Five critical areas to remember are:

- The applicant must be eligible. (The City or County must be listed in Appendix A or be a currently State-certified CHDO applying for an activity located in a city or county listed in Appendix A; the CHDO must be State certified to work in this city or county)
- The applicant must propose an eligible activity. (CHDOs may not propose First-Time Homebuyer Acquisition Only, Tenant-Based Rental Assistance, or Owner-Occupied Rehabilitation Activities.
- The applicant must propose an eligible use of HOME funds (92.206 - 92.214).
- The amount of funds requested must not exceed the category maximums as outlined in the NOFA, including the allowances for Activity Delivery, Administration, and CHDO Operations. Please use the Supplemental Application Form.
- Applications for projects (Attachments 10-14) must provide documentation in the application to meet the site control requirements specified in the Application.

Acceptance by the HOME Program of the application for evaluation, the award of funds, and/or execution of the HOME Standard Agreement, does not constitute acceptance of all application contents by the Department. The Department reserves the right to revise any aspect of the application to make it comply with State/federal regulations or Departmental/HUD policy. For example, proposed loan terms and conditions, sources and amounts of match, etc., are subject to revision until the project is set-up in the federal IDIS system.

SECTION I: APPLICATION SUMMARY

Subsections A-E.

These subsections require basic identifying information about the applicant. The contact person listed should be the person who can best answer questions regarding the application and proposed activities. Be sure the phone number is correct. **A county can only apply for unincorporated areas within its boundaries. CHDOs can apply for activities only in a State-eligible jurisdiction.**

Subsection F.

This subsection requires information about the proposed activity. This chart must be complete and consistent with information given in other sections of the application. Complete the chart as follows:

- Each activity proposed should be listed separately;
- The number of units to enter here is the number of HOME-assisted units (not total units). The number of units proposed to be HOME-assisted will be part of your contractual obligation if you receive an award of HOME funds. Also, if the activity involves rehabilitation or new construction, the number of HOME-assisted units proposed may trigger federal Davis-Bacon requirements.
- The HOME amount listed should be the activity dollar amounts only. Do not include administrative funds here.
- The location of the activity is listed next. Counties may only propose activities within the unincorporated area. CHDOs may only propose activities within the boundaries of a State-eligible jurisdiction (see Appendix A).
- Be sure to indicate yes or no to the rural question for each proposed activity.
- If the proposed service area is rural, you must indicate census tract numbers. Census tract numbers in metropolitan counties that meet the definition of rural are listed in Appendix F. Appendix F also includes a listing of nonmetropolitan counties that are completely rural. It is extremely important for the applicant to provide accurate census information

and verify the requested census tract citation(s) because activities in rural areas may be awarded an additional 50 points. Rural points are awarded based on the location of the activity proposed. **If the service area for a specific activity is only partially rural, then clearly identify the percentage of assisted units which will be in a rural eligible area.** If the Department is not able to verify or calculate this information, no rural points will be awarded. When applicants propose one program activity in a rural area and another program activity in a non-rural area, the Department will prorate points in the rural category based on the dollar amount requested for the rural activity. If your activity is in an urban area, then fill in “n/a” under census tract.

Subsection G. Total Amount of Activity Funds

The amount entered here should match the total activity dollars shown in the Subsection F Chart.

Administrative funds requested are listed in Subsections H for State Recipient applicants and Subsection I for CHDO applicants. Administrative funds requested cannot exceed 2.5% of the total application amount requested for State Recipients. Administrative funds for CHDOs, actually “CHDO Operating Expenses,” are limited to 8.5% of the total application amount requested.

In addition to Administration funds, State Recipient Applicants may also request Activity Delivery funds. These may be used for the actual implementation of the activity, must be drawn at the same time as Activity funds, and must be repaid if the Activity is not completed. See 24 CFR 92.206 (d)(6) and 92.206 (f)(2) for a description of the types of expenses which may be charged to Activity Delivery. Up to 12% of Activity funds may be used for Activity Delivery costs, for Owner Occupied Rehabilitation (Attachment 6) and First Time Homebuyer Acquisition and Rehabilitation (Attachment 5). Up to 6% of Activity funds may be used for all other activities (except Tenant Based Rental Assistance Activities).

For example: Total HOME Dollars requested equals \$400,000.

<u>Activity</u>	<u>Admin Amount 2.5% of \$400,000</u>	<u>Activity Amount \$400,000 – \$10,000</u>	<u>Activity Delivery 6 % of \$390,000</u>
FTHB Program	\$10,000	\$390,000	\$23,400

The \$390,000 of Activity funds includes \$23,400 of Activity Delivery funds (for all Attachments except Attachments 5 and 6).

In this example, no more than \$10,000 of HOME administrative dollars can be requested and the total of activity dollars and administrative dollars does not exceed the NOFA \$400,000 category limit for a First-Time Homebuyer Acquisition Only Program.

Subsection J. Total HOME Funds Requested

This subsection requires that the applicant state “Total HOME Funds Requested.” This amount should be the total of the amounts listed in Subsection G (activity dollars) and either H or I (administrative dollars), as appropriate. **The total amount requested must not exceed the maximum HOME amount stated in the NOFA. If the requested HOME amount exceeds the maximum HOME amount, or if the amounts requested for Administration, CHDO Operations, or Activity Delivery exceed the appropriate limits, the Department may, in its sole discretion, make minor adjustments, consistent with the submitted resolution, to correct the variances.**

Subsection K. Brief Description of Each Activity

This subsection requires that the applicant give a brief description of the proposed activity (for example, “New construction of a 40-unit rental development for low-income seniors-11 of the 40 units will be HOME-assisted”).

SECTION II: APPLICATION INFORMATION

Section II of the application requires specific information relating to the applicant.

Subsection A. Type of Applicant

This subsection requires you to indicate the classification of eligible applicant under which you are applying. For your reference, a list of “Eligible Jurisdictions” is included in Appendix A of this manual. To be considered eligible, a CHDO must be certified or recertified by the final application filing date, and CHDO certification applications and recertifications are due on November 17, 2003. If you are unsure if you qualify as a CHDO or if you are a CHDO unsure about the expiration date of your certification, contact the Department immediately.

Subsections A. (1) through (3).

Apply only to CHDOs (if you are not a CHDO, please leave them blank).

Subsection A.1. CHDO Role

This subsection requires CHDO applicants to indicate the role they will fulfill regarding their proposed activity. Please refer to the definitions of owner, developer and sponsor included in the section titled “CHDO Set-Aside” at the beginning of this manual. NOTE: A CHDO may fulfill more than one role.

Subsection A.2. State Recipient Administrator

Asks if a CHDO is electing to have a State Recipient administer its HOME Program. (Please refer to Section 8219 of the State HOME Regulations for more information.) If yes, then Attachment 1 must be completed.

Subsection A.3. CHDO "Loan"

Only applies if the applicant is a CHDO. This subsection of the application asks whether or not the CHDO is applying for a "CHDO loan." See Section 92.301 of the federal regulations for the definition of CHDO loans.

Subsection B. Housing Element

This subsection requires the status of the Housing Element for the area in which HOME assistance is proposed. If the applicant is a CHDO, please check the "not applicable" box. If the city is newly incorporated and does not yet need to have an adopted Housing Element, then check the "not applicable" box and indicate the incorporation date. For all other applicants, to receive points in this category, the city's or county's Housing Element must be in substantive compliance as of the application deadline as stated in the NOFA. **Only CHDOs can check "not applicable."**

Subsection C. Audit Findings

This section requires the applicant to indicate whether there are any unresolved audit findings for prior Department or federally-funded housing or community development projects or programs, pursuant to the Single Audit Act of 1984, as set forth in OMB Circular No. A-133. If the applicant checks that there are unresolved audit findings, then **the applicant is not eligible to apply. Please do not fill out or submit a HOME Application.** If the applicant has questions about audit findings, please contact your HOME Representative prior to filling out the HOME Application. **Monitoring findings are not audit findings.**

Subsection D. Applicant Staff

This subsection requires the applicant to list all staff that will be responsible for operation of the HOME Program or oversee the work of an administrative subcontractor, if one is proposed. This information is used to assist the Department in determining capability of the applicant. If the position is vacant, list the position title and "vacant." **Do not leave this section blank.** The information supplied in this section is important in rating capacity of the applicant to carry out the proposed activity. Do not list administrative subcontractor staff in this section. This is for applicant staff or proposed positions only.

Subsection E. Administrative Subcontractor

This subsection asks whether the applicant is going to use an administrative subcontractor and if they are, to complete Section III.

Subsection F. CHDO State Recipient Administrator Administrative Subcontractor

If a CHDO applicant answered yes to Section II, Subsection A.2. requesting that a city or county act as a State Recipient to administer the proposed activity, then Subsection F asks if the proposed State Recipient administrator intends to contract with an administrative contractor to administer the proposed activity. If yes, then Section III must be completed with information regarding the State Recipient's administrative subcontractor.

Subsection G. Applicant Type

This subsection requires the applicant to check the appropriate box and complete Attachment 2. Through this subsection, applicants choose which entity's capability they want to have considered in the rating and ranking. If the applicant is a city or county, it would check box number 1 and complete Attachment 2. If the applicant is a CHDO, it should check either box 2 or 3. If it checks box 2, it should only fill out Attachment 2; if it checks box 3, it should complete Attachment 1 and 2 for the State Recipient.

SECTION III: ADMINISTRATIVE SUBCONTRACTOR INFORMATION

If the applicant is proposing to use an administrative subcontractor, this section must be completed. In addition to the basic identifying information about the administrative subcontractor, the applicant must complete Attachment 3, which provides information on the administrative subcontractor's capability.

Subsections A. through E.

Complete to provide basic information.

Subsection F.

This subsection requires the applicant to complete Attachment 3.

Subsection G. Audit Findings

If the answer to this question is "yes," the administrative subcontractor cannot be used, and any experience of that administrative subcontractor will not be considered in the rating. If this question is not answered, the experience of the administrative subcontractor will not be considered in rating and ranking of the application.

Important clarifications regarding administrative subcontractors:

- Administrative subcontractors for State Recipients who will be paid for their services either wholly or in part with federal dollars must be selected using the Request for Proposal/Request for Qualification process further described in this manual. CHDOs may select the administrative subcontractor through their own adopted procedures.
- Administrative subcontractors cannot be an owner, developer or sponsor or have any financial interest in any activity or project funded with the HOME dollars other than the contract for administrative services.
- State Recipient applicants may designate non-profit agencies (including CHDOs), and other consultants to be their administrative subcontractors. However, the State Recipient must be beneficiary of the HOME loan(s), and program income must remain with the State Recipient.

SECTION IV: PROGRAM AND PROJECT INFORMATION

This section of the application requires the applicant to identify the activity or activities for which it is applying, the dollar amount requested for each activity and its related administrative amount. This section also directs the applicant to submit specific attachments that relate to the activity for which the applicant is applying. Subsection A requires information on HOME Programs. Subsection B requires information relating to HOME Projects. The activity amounts listed in Subsection A or B should match those on page 1 of the application. Submit page 5 even if there is no information reported on it.

SECTION V: LEGISLATIVE REPRESENTATIVES

The Department informs the applicant's legislative representatives when a conditional reservation of funds is made. This section of the application requires information on the legislative representatives for your area. Please make sure this information is current as of the application date. For programs, please list all representatives for the areas to be served. For projects, please list the legislative representative(s) for the specific project site.

SECTION VI: GOVERNING BOARD RESOLUTION

An executed resolution must be included with every application submitted to the Department no later than the application deadline. The resolution must authorize:

- submittal of the application and the execution of the HOME Standard Agreement;
- the activity being proposed in the application;
- the amount of HOME funds being requested; and
- signature authority for signing HOME documents.

A sample resolution is included for your use as **Exhibit B** in the application package. We suggest you either use this resolution or incorporate all elements of the sample into your own resolution. The resolution should be dated after the issuance date of the NOFA, and should reference the 2003 NOFA. **Please note that this resolution has been revised to specifically include the HOME Award amount (\$) which is a mandatory element of the resolution.** The resolution also identifies the position(s) that will be authorized to sign reports and drawdown requests. The person attesting to the validity of the resolution cannot be the same individual as the one granted the authority in the resolution. If the application is submitted unsigned or signed by someone other than the individual authorized in the resolution, the Department may, in its sole discretion, reject the application .

SECTION VII: APPLICANT CERTIFICATION AND COMMITMENT OF RESPONSIBILITY

In addition to the resolution authorizing the submission of the application, the person authorized in the resolution must certify to knowledge of the responsibilities that are assumed when contracting with the State for HOME funds. In addition, this certification ensures that this individual acknowledges both the contents and information in the application and that it is accurate and correct. By signing this certification, the applicant is also authorizing the Department to contact any agency that may assist in determining applicant capability, whether or not named in the application.

EXHIBIT A - ATTACHMENT CHECKLIST

This exhibit must be completed by all applicants. It assists the preparer in ensuring that all applicable attachments and exhibits accompany the application when it is submitted to the Department. HOME staff also uses this exhibit to determine whether an application is complete at the time of submission. Please ensure that all attachments and supporting documentation are included with your application.

EXHIBIT B - SAMPLE GOVERNING BOARD RESOLUTION

Please note that the resolution language has changed from the 2002 Sample Resolution.

A governing board resolution must be submitted by all applicants. Exhibit B is a sample of a resolution which must be passed by the applicant's social governing body, whether it be a CHDO Board, City Council, or Board of Supervisors. The use of the resolution sample form is not required, but if another form is used, it must contain all of the elements in the sample provided. An executed resolution must be submitted as Attachment 15. The resolution must contain all of the elements of the sample resolution:

- The 2003 NOFA must be referenced.
- **The resolution must have the application dollar amount.**
- The resolution must be dated after the NOFA issuance date.
- The proposed activities and locations must be referenced.
- The person attesting and certifying the resolution cannot be the same person authorized in the resolution to execute documents.

EXHIBIT C - SAMPLE GOVERNING BOARD RESOLUTION FOR CITY/COUNTY ADMINISTERING CHDO ACTIVITIES

If the application submitted is from a CHDO who has selected a State Recipient to administer its HOME Program, a Governing Board Resolution must be submitted for the State Recipient acting in that capacity. Exhibit C provides a sample resolution to be used by the State Recipient planning to administer a program for the CHDO applicant.

The use of the resolution sample form is not required, but if another form is used, it must contain all of the elements in the sample provided.

ATTACHMENT 1

STATE RECIPIENT TO ADMINISTER CHDO APPLICANT'S PROGRAM

This attachment must be completed by CHDO applicants that are using a State Recipient(s) to administer their activity (ies). **Attachment 2 must also be completed for any proposed State Recipient Administrator(s).**

Section 1: Information on Proposed State Recipient.

Subsection A. through E.

These subsections request basic identifying information on the State Recipient.

Subsection F. and G. Jurisdictional Boundaries

The CHDO's proposed activity must be within the jurisdictional boundaries of the proposed State Recipient administrator, and the proposed city or county must be on the list of State HOME-eligible jurisdictions.

Subsection H. Housing Element

If the city or county's Housing Element is not in substantive compliance as of the final filing date for applications, the CHDO will not be given the 200 points available in the rating for Housing Element compliance.

Subsection I. Audit Findings

This section requires information on whether the proposed State Recipient Administrator has any unresolved audit findings for prior Department or federally-funded housing or community development projects or programs, pursuant to the Single Audit Act of 1984, as set forth in OMB Circular No. A-133. If there are any unresolved audit findings, then **the State Recipient cannot be a State Recipient Administrator and any experience of that State Recipient Administrator will not be considered in the rating.** If this question is not answered, the experience of the State Recipient Administrator will not be considered in rating and ranking of the application. If the applicant has questions about audit findings, please contact your HOME Representative prior to filling out the HOME Application. NOTE: Monitoring findings are not audit findings.

Subsection J. City/County Staff

This subsection requires the applicant to list all staff of the proposed State Recipient Administrator who will be responsible for operation of the HOME Program or oversee the work of an administrative subcontractor, if one is proposed. This information is used to assist the Department in determining capability of the applicant. If the position is vacant, list the position

title and "vacant." **Do not leave blank.** The information supplied in this section is important in rating capacity of the State Recipient Administrator to carry out the proposed activity. Do not list administrative subcontractor staff in this section. This is for State Recipient Administrator staff or proposed positions only.

Subsections K and L. Administrative Subcontractor Information

If the proposed State Recipient Administrator intends to use the services of an administrative subcontractor, this section must be completed. In addition to the basic identifying information about the administrative subcontractor, the applicant must complete Attachment 3, which provides information on the administrative subcontractor's capability.

Subsection L.

This sub section requests basic information. Note: Item 6 requires the applicant to complete Attachment 3.

Important clarifications regarding administrative subcontractors:

- Administrative subcontractors who will be paid for their services either wholly or in part with federal dollars must be selected using the Request for Proposal/ Request for Qualification process described elsewhere in this manual. This process should be conducted prior to the naming of an Administrative Subcontractor in the application, but can occur at a later date (subject to HCD approval of an Administrative Subcontractor other than the one identified in the application.)
- Administrative subcontractors cannot be an owner, developer or sponsor or have any financial interest in any activity or project funded with the HOME dollars other than the contract for administrative services.
- State Recipient Administrators may designate non-profit agencies (including CHDOs), and other consultants to be their administrative subcontractors. However, the State Recipient must be beneficiary of the HOME loan(s), and program income must remain with the State Recipient.

Subsection M. Legislative Representative

The Department informs the city/county's legislative representatives when a commitment of funds is made. This section of the application requires information on the legislative representatives for your area. Please make sure this information is current as of the application date. CHDOs should list the legislative representatives for the location of the project activity.

Section II. Information on CHDO Activities to be Administered

Be sure to fully complete chart for all CHDO activities proposed to be administered by a city or county as a State Recipient.

- Each activity proposed should be listed separately;

- The location of the activity is listed next. The activity must be within the jurisdictional boundaries of the proposed State Recipient Administrator.
- The number of units to enter here is the number of HOME-assisted units (not total units).
- The HOME amount listed in the next column should be the activity dollar amounts only.
- The amount to be listed in the next column should be the amount of HOME dollars for administration, not to exceed 5% of the project activity dollars.

A sample resolution is included for your use as **Exhibit C** in the application package. We suggest you either use this resolution or incorporate all elements of the sample into your own resolution. The resolution should be dated after the issuance date of the NOFA, and should reference the 2003 NOFA. The person attesting to the validity of the resolution cannot be the same individual as the one granted the authority in the resolution.

Section III. Governing Board Resolution

An executed resolution from the proposed State Recipient Administrator must be included with every Attachment 1 submitted to the Department no later than the application deadline. The resolution must authorize:

- the State Recipient to administer any HOME funds awarded as a result of submittal of the application
- the activity and location being proposed in the application for the activities to be administered by the State Recipient;
- the amount of HOME funds proposed to be administered by the State Recipient; and
- signature authority for signing HOME documents.

A sample resolution is included for your use as Exhibit C in the application package. We suggest you either use this resolution or incorporate all elements of the sample into your own resolution. The resolution should be dated after the issuance date of the NOFA, and should reference the 2003 NOFA. The person attesting to the validity of the resolution cannot be the same individual as the one granted the authority in the resolution.

ATTACHMENT 2 **INFORMATION ON CITY, COUNTY OR CHDO CAPABILITY**

This attachment must be filled out by all applicants (and for any proposed State Recipient Administrators). It requires information on the applicant's capability, or city's/county's capability to administer CHDOs activities. Applicants should complete Section 1 if a city or county is administering its own activities or is administering a CHDO activity; Section 2 is completed if a CHDO is administering its own activities.

Section I. City or County Experience

This section should only be filled out if the applicant is a city or county proposed to act as a State Recipient Administrator. This section requires information relating to the applicant's prior experience in administering a HOME or CDBG housing allocation. If the applicant's administrative experience is based on administering a CDBG housing program, then the City or County is also required to submit supporting documentation. **For example: relevant pages of CDBG HOME Standard Agreements must be submitted.** Do not complete Subsection B unless you checked A.4 or A.5. Note that the years for which information is requested have changed from last year's application form.

Section II. CHDO Experience

This section should only be filled out if the applicant is a CHDO. This section requires information relating to the CHDO's experience in administering prior HOME Programs either through its own HOME contract or as a subcontractor for a Participating Jurisdiction or a State Recipient. If the CHDO has administered a program on behalf of another Participating Jurisdiction, the CHDO is directed in this section to submit, as part of this attachment, a letter from the jurisdiction which describes the work the CHDO performed. The CHDO is also requested to provide their administrative housing experience for a CDBG entitlement jurisdiction or State CDBG grantee; documentation of this experience must be included as part of this attachment. This supporting documentation would include, for example, the contract between the CHDO and the jurisdiction/CDBG grantee along with a descriptive evaluative letter from the jurisdiction/CDBG grantee. Do not complete Subsection B unless you checked A.4 or A.5.

ATTACHMENT 3 **INFORMATION ON ADMINISTRATIVE SUBCONTRACTOR** **CAPABILITY**

This attachment is required only if the applicant (city, county or CHDO) is proposing to use an administrative subcontractor or a State Recipient administrator. It requires information relating to the administrative subcontractor's prior experience in administering either a HOME or a CDBG housing allocation. The administrative subcontractor receives credit in this section only if it directly administered a HOME or CDBG housing allocation, not if it was employed by the Developer as the Developer's consultant.

As part of this attachment the applicant is also required to provide a letter from the jurisdiction for which HOME or CDBG administrative services were provided by the proposed administrative subcontractor. This letter should list the housing activities, the number of housing units, the years, and the specific administrative services provided by the proposed administrative subcontractor to the jurisdiction. Do not complete Subsection B unless you checked A.4. or A.5.

ATTACHMENT 4-PROGRAM

FIRST-TIME HOMEBUYER ACQUISITION ONLY

Attachment 4 is specific to first-time homebuyer acquisition-only programs. **Do not use this Attachment if any construction or rehabilitation will be done on the units being acquired.** HOME funds may be used under this Attachment to assist homes in new subdivisions, but only if the program is marketed throughout the entire jurisdiction, and any house in the jurisdiction, which meets local code requirements, and other HOME requirements, must be eligible for assistance under the program. Please be aware that, regardless of the HOME Application attachment used, more complex environmental reviews may be necessary if newly constructed houses are assisted.

Section I. Prior Experience

This section requires information relating to the applicant's (or administrative subcontractor's) experience in administering a first-time homebuyer acquisition-only program. You must choose whose experience will be listed in the chart. To obtain the maximum credit in the rating, **choose the entity with the most experience** in this specific activity. The chart requests information about prior year programs administered, specifically the program funding source and the number of housing units completed by year. This information will be used to compare each applicant's (or administrative subcontractor's) experience relative to the experience of all other applicants and administrative subcontractors). Note that this method may result in a different score for the same experience submitted in previous years.

Section II. Feasibility - Need

This section requires information regarding need in the community for the specific proposed activity. In order to receive points under Section II of this attachment, the Housing Element of the jurisdiction in which the activity is proposed must be in substantive compliance as of the application final filing date as stated in the NOFA. The applicant is asked to document the need for a first-time homebuyer acquisition-only program by submitting, with the application, the pages of the Housing Element that clearly demonstrate the need for this specific activity. Documents other than the Housing Element will not be reviewed.

Section III. Feasibility - Readiness

This section requires information that demonstrates the applicant's level of readiness to implement the activity. This is based on having adequate guidelines/operating procedures in place and identifying sufficient, eligible match for the program (regardless of any match waiver that may be in effect for the jurisdiction).

Subsection A. Program Guidelines

The applicant must provide program guidelines and/or operating procedures for the first-time homebuyer acquisition-only program. The applicant is also required to indicate where the items listed on the chart entitled "Provisions in Guidelines" can be found.

Three steps must be followed to accomplish this:

- **In the chart in Subsection A, the applicant must indicate the page number where that item can be found in the guidelines/procedures;**
- **In the guidelines/procedures submitted, the applicable section must be highlighted;**
- **In the guidelines/procedures submitted, in the margin next to a highlighted area, the applicant must write the number of the item being addressed. (This would be the number of the item as shown in the chart in Subsection A.)**

Follow these instructions carefully to ensure you receive proper credit in the rating of your application.

Some specific guidance on preparing guidelines procedures follows:

1. The guidelines must state the actual limits by household size to be used in the program and the limits must not exceed the current HUD limits. It is not adequate for the guidelines to state that HUD-published income limits will be used.
2. The guidelines must state the actual subsidy limits by bedroom size that your program will use. These limits can be lower than the HUD-published limit for your county, but cannot exceed the HUD-published limits. It is not adequate for the guidelines to state that HUD-published subsidy limits will be used.
3. The guidelines must state the actual purchase price limit to be used and it must not exceed the HUD published limits for your county. This limit can be lower than the HUD-published limits, but cannot exceed the HUD-published limits. It is not adequate for the guidelines to state that HUD-published purchase price/value limits will be used.
4. The guidelines must either exclude properties constructed prior to 1978 or address requirements a., b. and c. of item 4. (Be aware this is the minimum we are looking for in your guidelines. If you fund pre-1978 properties, you will need to have procedures for the required notification, inspections, abatement, etc.) Note that new, much more comprehensive and expensive lead-based paint requirements are now effective.
5. The guidelines must require properties to meet all applicable local code standards at time of purchase.
6. Guidelines must require real property acquisition procedures and, at a minimum, address Items 6a, b and c. The Department has a boilerplate notice that can be provided upon request.

7. Federal relocation and anti-displacement requirements must be complied with, unless the guidelines exclude tenant-occupied properties. You will be required to have a relocation plan in place that meets all federal requirements, if the guidelines do not exclude tenant-occupied properties. Properties must be vacant for four months before the offer to purchase is submitted (except for properties being vacated by a family who has been assisted through HOME to purchase another home.) Otherwise, relocation rights are likely to be triggered.

8. The guidelines must describe clearly the recapture restrictions to be used in the program. Note that the resale option is no longer available. The minimum federally-required periods of affordability must specify the number of required years for the amounts of HOME assistance provided (5, 10, 15 years or longer). Refer to the Federal Final Rule, Section 92.254(a)(4). The guidelines can state longer periods of affordability as long as the minimum-required period is met for the amount of assistance to be provided.

9. The definition of first-time homebuyer given in the application is a summary. Your guidelines must incorporate the definition in the State Regulations (Section 8201) word -for-word to receive full credit for this item. This was the most common deficiency in previous applications; please make sure the language used is identical to that used in the State Regulations.

10. The Department requires that all HOME funds for this activity, except for Activity Delivery, be in the form of loans. Do not propose a grant for any other type of cost.

11. The Applicant is required to provide a description of how households will be selected, and should include information about whether the program will operate as first-come, first-served, lottery or other. Also, describe the application and screening process. Describe how properties will be selected.

12. You must describe the inspection procedures and the job title of the person(s) responsible for performing them. Remember all properties must meet local code standards and pre-1978 properties will require lead-based paint inspections by a certified person.

13. Be sure to describe exactly how the amount of subsidy required for each purchaser will be determined. This means a calculation method should be shown. This could include a description of your loan underwriting procedures and your definition of affordable housing costs.

Subsection B. Match

This subsection requires information about the source and dollar amount of required match. For the 2003 applications, applicants must identify 25 percent matching funds. The source of match identified must be eligible. Administrative funds do not require match; but the total Project Costs, including Activity Delivery Costs, do require match. For a brief description of match, refer to the match section of this manual. For more detailed information refer to HUD CPD Notice 97-03, Match Guidance, available upon request.

For purposes of the application, in-kind contributions of city, county or consultant staff time or office space will not be counted toward the match obligation or to the leveraging rating criteria. However, subject to compliance with HUD CPD Notice 97-03, it may be possible, on a case-by-case basis, to count these sources toward your match or leveraging obligation during the actual implementation of your activity.

Section IV. Leverage

This section requires information about other permanent financing provided to the HOME Program. Public funds must be documented by resolutions or commitment letters as stated in the application. Private funds must be documented by letters of interest as stated in the application. Letters of commitment or resolutions for public funds and letters of interest from other lenders must be complete.

To be considered for leverage points, letters or resolutions must state **all of the following:**

- the source providing the financing,
- the use of the funds being provided,
- the dollar amount of funds available or committed, and
- the estimated number of loans to be made from those funds.

For purposes of the application, in-kind contributions of City/County or consultant staff time or office space will not be counted toward the match obligation or to the leveraging rating criteria. However, subject to compliance with CPD Notice 97-03, it may be possible, on a case-by-case basis, to count these sources toward your match or leveraging obligation during the actual implementation of your activity.

If only an amount per unit is stated or only a number of units is stated, the Department will be unable to verify a total amount and it will not be acceptable documentation of leverage.

Only funds documented as required in the application (maximum potential leverage) will be used in calculating the leverage ratio.

Some forms of match can also be counted as leverage. These amounts must be listed on both the match chart in Section III.B and the leverage chart in Section IV.B to receive credit as both match and leverage. For example, if redevelopment funds are being provided as match, they probably should be listed as leverage as well, but if a redevelopment agency is providing an interest rate buy-down, it would be counted only as match, not as leverage. **Note: while documentation is not required for match, documentation must be provided to count as leverage.**

ATTACHMENT 5-PROGRAM

FIRST-TIME HOMEBUYER ACQUISITION AND REHABILITATION

Attachment 5 is required if the applicant is proposing first-time homebuyer acquisition program **that includes** rehabilitation of the acquired property.

Section I. Prior Experience

This section requires information relating to the applicant's (or administrative subcontractor's) experience in administering a first-time homebuyer acquisition with rehabilitation program. You must choose whose experience will be listed in the chart. To obtain the maximum credit in the rating, **choose the entity with the most experience** in this specific activity. The chart requests information about prior year programs administered, specifically the program funding source and the number of housing units completed by year. This information will be used to compare each applicant's (or administrative subcontractor's) experience relative to the experience of other applicants (or administrative subcontractor's). Note that this method may result in a different score for the same experience submitted in previous years.

Section II. Feasibility - Need

This section requires information regarding need in the community for the specific proposed activity. In order to receive points under Section II of this attachment, the Housing Element of the jurisdiction in which the activity is proposed must be in substantive compliance as of the application final filing date as stated in the NOFA. The applicant is asked to document the need for a first-time homebuyer acquisition with rehabilitation program by submitting, with the application, the pages of the Housing Element that clearly demonstrate the need for this specific activity.

Section III. Feasibility - Readiness

This section requires information that demonstrates the applicant's level of readiness to implement the activity. This is based on having adequate guidelines/operating procedures in place and identifying sufficient, eligible match for the program (regardless of any match waiver that may be in effect for the jurisdiction).

In Subsection A., the applicant must provide program guidelines and/or operating procedures for the first-time homebuyer acquisition with rehabilitation program.

In Subsection B., the applicant must provide the rehabilitation standards that will be used for the program. The applicant is also required to indicate where the items listed on the charts entitled "Provisions in Guidelines" and "Rehabilitation Standards" can be found.

Three steps must be followed to accomplish this:

- **In the Subsection A and B Charts, the applicant must indicate the page number where that item can be found in the guidelines/procedures and the rehabilitation standards, as applicable;**
- **In the guidelines/procedures and the rehabilitation standards submitted, the applicable section must be highlighted;**
- **In the guidelines/procedures and the rehabilitation standards submitted, in the margin next to a highlighted area, the applicant must write the number of the item being addressed. (This would be the number of the item as shown in the chart in Subsection A or B.)**

Follow these instructions carefully to ensure you receive proper credit in the rating of your application. Some specific guidance on preparing guidelines procedures is provided below.

Subsection A. Program Guidelines

1. The guidelines must state the actual limits by household size to be used in the program and the limits must not exceed the current HUD limits. It is not adequate for the guidelines to state that HUD-published income limits will be used.
2. The guidelines must state the actual subsidy limits by bedroom size that your program will use. These limits can be lower than the HUD-published limit for your county, but cannot exceed the HUD-published limits. It is not adequate for the guidelines to state that HUD-published subsidy limits will be used.
3. The guidelines must state the actual after rehab value limits that your program will use. These limits can be lower than the HUD-published limits, but cannot exceed the HUD-published limits. It is not adequate for the guidelines to state that HUD-published purchase price/value limits will be used.
4. The guidelines must either exclude properties constructed prior to 1978 or address requirements a., b. and c. of Item 4. (Be aware this is the minimum we are looking for in your guidelines. If you fund pre-1978 properties, you will need to have procedures for the required notification, inspections, abatement, etc.)
5. The guidelines must require properties to meet all applicable local code standards at completion of rehabilitation.
6. Guidelines must require real property acquisition procedures and, at a minimum, address Items 6a, b and c. The Department has a boilerplate notice that can be provided upon request.

7. Federal relocation and anti-displacement requirements must be complied with, unless the guidelines exclude tenant-occupied properties. You will be required to have a relocation plan in place that meets all federal requirements, if you do not exclude tenant-occupied properties. Properties must be vacant for four months before the offer to purchase is submitted (except for properties being vacated by a family who has been assisted through HOME to purchase another home.) Otherwise, relocation rights are likely to be triggered.
8. The guidelines must describe clearly the recapture restrictions to be used in the program. The minimum federally-required periods of affordability must specify the number of required years for the amounts of HOME-assistance provided (5, 10, 15 years or longer). Refer to the Federal Final Rule, Section 92.254(a)(4). The guidelines can state longer periods of affordability as long as the minimum-required period is met for the amount of assistance to be provided.
9. The definition of a first-time homebuyer is provided in a summary format. Your guidelines must incorporate the definition in the State HOME Regulations (Section 8201) word - for-word to receive full credit for this item.
10. The Department requires that all HOME funds be in the form of loans, except for the least cost necessary to comply with federal lead paint regulations, Activity Delivery costs and Relocation payments. Do not request a grant for any other activities.
11. The Applicant is required to provide a description of how households will be selected, and should include information about whether the program will operate as first-come, first-served, lottery or other. Also, describe the application and screening process. Describe how properties will be selected.
12. There must be a description of initial, interim and final inspection procedures, and the job title of the person(s) responsible for performing them. Note: Inspections need to be performed for code compliance, work write-ups and progress inspections if construction progress payments are being made with HOME funds. All properties must meet local code standards and pre-1978 properties will require lead-based paint inspections by a certified person.
13. Describe what the process will be for developing the work write-ups and the written cost estimates for the bid process. What is the job title for the person(s) responsible for developing and/or reviewing them?
14. How will the reasonableness of rehabilitation costs be determined and by whom?
15. Be sure to describe exactly how the amount of subsidy required for each purchaser will be determined. This means a calculation method should be shown. This could include a description of your loan underwriting procedures and your definition of affordable housing costs.

16. Be sure to describe the contractor selection process carefully and completely. Will the applicant conduct the bid process? Will the homeowner? Will the homeowner be supplied with a list of approved contractors? Will three bids be required? Federal procurement requirements and equal opportunity requirements must be considered if applicant will supply an approved list or conduct the bid process for the households.

Section B. Rehabilitation Standards:

1. Specify what type of work items will be eligible and ineligible for assistance under the proposed program. You should show specific lists of eligible and ineligible items.
2. Describe whether general property improvements (gpi) will be allowable costs under the proposed program. If yes, describe what types of general property improvements will be allowed and how much of the total rehabilitation costs will be allowed for gpi. Examples of gpi could be incipient repairs and general property improvements of a non-luxury nature.
3. List specifically what local property codes or other property standards must be met at the completion of rehabilitation.

Subsection C. Match

This subsection requires information about the source and dollar amount of required match. For the 2003 applications, applicants must identify 25 percent matching funds. The source of match identified must be eligible. Administrative funds do not require match; but the total Project Costs, including Activity Delivery Costs, do require match. For a brief description of match, refer to the Match section of this manual. For more detailed information refer to HUD CPD Notice 97-03, Match Guidance, available upon request. If you need assistance in this area, please contact your HOME Representative.

For purposes of the application, in-kind contributions of city, county or consultant staff time or office space will not be counted toward the match obligation or to the leveraging rating criteria. However, subject to compliance with CPD Notice 97-03, it may be possible, on a case-by-case basis, to count these sources toward your match or leveraging obligation during the actual implementation of your activity.

Section IV. Leverage

This attachment requires information about other permanent financing provided to the HOME Program. Public funds must be documented by resolutions or commitment letters as stated in the application. Private funds must be documented by letters of interest as stated in the application. Letters of commitment or resolutions for public funds and letters of interest from other lenders must be complete.

To be considered for leverage points, letters or resolutions must state **all of the following**:

- 1) the source providing the financing,
- 2) the use of the funds being provided,
- 3) the dollar amount of funds available or committed, and
- 4) the estimated number of loans to be made from those funds.

For purposes of the application, in-kind contributions of city, county or consultant staff time or office space will not be counted toward the match obligation or to the leveraging rating criteria. However, subject to compliance with CPD Notice 97-03, it may be possible, on a case-by-case basis, to count these sources toward your match or leveraging obligation during the actual implementation of your activity.

Note: If only an amount per unit is stated or only a number of units is stated, the Department will be unable to verify a total amount and it will not be acceptable documentation of leverage.

Only funds documented as required in the application (maximum potential leverage) will be used in calculating the leverage ratio.

Some forms of match can also be counted as leverage. These amounts must be listed on both the match chart in Section III.B. and the leverage chart in Section IV.B. to receive credit as both match and leverage. For example, if redevelopment funds are being provided as match, they probably should be listed as leverage as well, but if a redevelopment agency is providing an interest rate buy-down, it would be counted only as match, not as leverage. **Note: While documentation is not required for match, documentation must be provided to count as leverage.**

ATTACHMENT 6-PROGRAM **OWNER-OCCUPIED REHABILITATION**

If the applicant is proposing an owner-occupied rehabilitation program, Attachment 6 must be submitted.

Section I. Prior Experience

This section requires information relating to the applicant's (or administrative subcontractor's) experience in administering an owner-occupied rehabilitation program. You must choose whose experience will be listed in the chart. To obtain the maximum credit in the rating, **choose the entity with the most experience** in this specific activity. The chart requests information about prior year programs administered, specifically the program funding source and the number of housing units completed by year. This information will be used to compare each applicant's (or administrative subcontractor's) experience relative to the experience of other applicants (or administrative subcontractors). Note that this method may result in a different score for the same experience submitted in previous years.

Section II. Feasibility - Need

This section requires information regarding need in the community for the specific proposed activity. In order to receive points under Subsections A. and B. of this attachment, the Housing Element of the jurisdiction in which the activity is proposed must be in substantive compliance as of the application final filing date as stated in the NOFA.

Subsection A. Housing Element

This section requires the applicant to document the need for an owner-occupied rehabilitation program by submitting, with the application, the pages of the Housing Element that clearly demonstrate the need for this specific activity.

Subsection B. Demonstration of Need

This section requires the applicant to submit the pages of the Housing Element that show the number of units in the jurisdiction that need replacement and the number of units in the jurisdiction needing rehabilitation. **Note: The applicant should also submit page(s) from the Housing Element that show the total number of housing units in the jurisdiction.** This will enable the Department to determine the percentages of housing units needing replacement or rehabilitation.

Section III. Feasibility Readiness

This section requires information that demonstrates the applicant's level of readiness to implement the activity. This is based on having adequate guidelines/operating procedures in place and identifying sufficient, eligible match for the program (regardless of any match waiver that may be in effect for the jurisdiction).

In Subsection A of this section, the applicant must provide program guidelines and/or operating procedures for the owner-occupied rehabilitation program.

In Subsection B, the applicant must provide the actual rehabilitation standards that will be used for the program. The applicant is also required to indicate where the items listed on the charts entitled “Provisions in Guidelines” and “Rehabilitation Standards” can be found.

Three steps must be followed to accomplish this:

- **In the charts in Subsection A and B, the applicant must indicate the page number where that item can be found in the guidelines/procedures and the rehabilitation standards, as applicable;**
- **In the guidelines/procedures and rehabilitation standards submitted, the applicable section must be highlighted;**
- **In the guidelines/procedures and rehabilitation standards submitted, in the margin next to a highlighted area, the applicant must write the number of the item being addressed. (This would be the number of the item as shown in the chart in Subsection A or B.)**

Follow these instructions carefully to ensure you receive proper credit in the rating of your application. Some specific guidance on preparing guidelines procedures is provided below.

Subsection A. Program Guidelines

1. The guidelines must state the actual limits by household size to be used in the program and the limits must not exceed the current HUD limits. It is not adequate for the guidelines to state that HUD-published income limits will be used.
2. **A Departmental management memo has removed this requirement.**
3. The guidelines must state that all persons in the residence are considered household members for purposes of income eligibility.
4. The guidelines must require that the housing unit to be rehabilitated must be the primary residence of the owner.
5. The guidelines must state actual subsidy limits by bedroom size that your program will use. These limits can be lower than the HUD-published limits, but cannot exceed the HUD-published limits. It is not adequate for the guidelines to state that HUD-published subsidy limits will be used.

6. The guidelines must state the actual after rehab value limit to be used and it must not exceed the HUD-published limits for your county. These limits can be lower than the HUD-published limits, but cannot exceed the HUD-published limits. It is not adequate for the guidelines to state that HUD-published purchase price/value limits will be used as the maximum after-rehabilitation property value
7. The guidelines must either exclude properties constructed prior to 1978 or address requirements a., b. and c. of item 4. (Be aware this is the minimum we are looking for in your guidelines. If you fund pre-1978 properties, you will need to have procedures for the required notification, inspections, abatement, etc.)
8. The Department requires that all HOME funds be in the form of loans, except for the least cost necessary to comply with federal lead paint regulations, activity delivery costs and relocation payments. Do not propose a grant for any other activity.
9. The Applicant is required to provide a description of how households will be selected, and should include information about whether the program will operate as first-come, first-served, lottery or other. Also, describe the application and screening process. Describe how properties will be selected.
10. There must be a description of initial, interim and final inspection procedures, and the job title of the person(s) responsible for performing them. Note: Inspections need to be performed for code compliance, work write-ups and progress inspections if construction progress payments are being made with HOME funds. All properties must meet local code standards and pre-1978 properties will require lead-based paint inspections by a certified person.
11. Describe what the process will be for developing the work write-ups and the written cost estimates for the bid process. What is the job title of the persons who will be responsible for developing and/or reviewing them.
12. How will the reasonableness of rehabilitation costs be determined and by whom?
13. Be sure to describe exactly how the amount of subsidy required for each purchaser will be determined. This means a calculation method should be shown. This could include a description of your loan underwriting procedures and your definition of affordable housing costs. Applicants must utilize the State UMR contained in Sections 8300-8316 and included as Appendix H in this manual.
14. Be sure to describe the contractor selection process carefully and completely, including checking for State and federal eligibility and contract award. Will the applicant conduct the bid process? Will the homeowner? Will the homeowner be supplied with a list of approved contractors? Will three bids be required? Federal procurement requirements must be considered if the applicant will supply an approved list or conduct the bid process for the households.

Subsection B. Rehabilitation Standards

1. Specify what type of work items will be eligible and ineligible for assistance under the proposed program. You should show specific lists of eligible and ineligible items.
2. Describe whether general property improvements (gpi) will be allowable costs under the proposed program. If yes, describe what types of general property improvements will be allowed and how much of the total rehabilitation costs will be allowed for gpi. Examples of gpi could be incipient repairs and general property improvements of a non-luxury nature.
3. List specifically what local property codes or other property standards must be met at the completion of rehabilitation.

Subsection C. Match

The match requirement for this activity is waived for the 2003 NOFA.

Section IV. Leverage

This section requires information about other permanent financing provided to the HOME Program. Public funds must be documented by resolutions or commitment letters as stated in the application. Letters of commitment or resolutions for public funds and letters of interest from other lenders must be complete.

To be considered for leverage points, letters or resolutions must state **all of the following:**

- the source providing the financing,
- the use of the funds being provided,
- the dollar amount of funds available or committed, and
- the estimated number of loans to be made from those funds.

For purposes of the application, in-kind contributions of city/county or consultant staff time or office space will not be counted toward the match obligation or to the leveraging rating criteria. However, subject to compliance with CPD Notice 97-03, it may be possible, on a case-by-case basis, to count these sources toward your match or leveraging obligation during the actual implementation of your activity.

Note: If only an amount per unit is stated or only a number of units is stated, the Department will be unable to verify a total amount and it will not be acceptable documentation of leverage.

Only funds documented as required in the application (maximum potential leverage) will be used in calculating the leverage ratio.

Some forms of match can also be counted as leverage. These amounts must be listed on both the match chart in Section III.B. and the leverage chart in Section IV.B. to receive credit as both match and leverage. For example, if redevelopment funds are being provided as match, they probably should be listed as leverage as well, but if a redevelopment agency is providing an interest rate buy-down, it would be counted only as match, not as leverage. **Note: While documentation is not required for match, documentation must be provided to count as leverage.**

Remember that while match is not required for this activity for the 2003 NOFA, leveraging is still a very significant rating factor. Applicants should carefully consider whether they can commit leveraging to this activity.

ATTACHMENT 7-PROGRAM

RENTAL ACQUISITION WITHOUT REHABILITATION

Attachment 7 is required if the applicant is proposing a rental acquisition without rehabilitation program.

Section I. Prior Experience

This section requires information regarding the applicant's (or administrative subcontractor's) experience in administering a rental acquisition without rehabilitation program. You must choose whose experience will be listed in the chart. To obtain the maximum credit in the rating, **choose the entity with the most experience** in this specific activity. The chart requests information about prior year programs administered, specifically the program funding source and the number of housing units completed by year. This information will be used to compare each applicant's (or administrative subcontractor's) experience relative to the experience of other applicants (or administrative subcontractors). Note: that this method may result in a different score for the same experience submitted in previous years.

Section II. Feasibility Need

This section requires information regarding need in the community for the specific proposed activity. In order to receive points under Section II of this attachment, the Housing Element of the jurisdiction in which the activity is proposed must be in substantive compliance as of the application final filing date as stated in the NOFA. The applicant is asked to document the need for a rental acquisition without rehabilitation program by submitting, with the application, the pages of the Housing Element that clearly demonstrate the need for this specific activity.

Section III. Feasibility Readiness

This section requires information that demonstrates the applicant's level of readiness to implement the activity. This is based on having adequate guidelines/operating procedures in place and identifying sufficient, eligible match for the program (regardless of any match waiver that may be in effect for the jurisdiction).

In Subsection A., the applicant must provide program guidelines and/or procedures for the rental acquisition without rehabilitation program. The applicant is also required to indicate where the items listed on the chart entitled "Provisions in Guidelines" can be found. Three steps must be followed to accomplish this:

- **In the chart in Subsection A, the applicant must indicate the page number where that item can be found in the guidelines/procedures;**
- **In the guidelines/procedures submitted, the applicable section must be highlighted;**
- **In the guidelines/procedures submitted, in the margin next to a highlighted area, the applicant must write the number of the item being addressed. (This would be the number of the item as shown in the chart in Subsection A.)**

Follow these instructions carefully to ensure you receive proper credit in the rating of your application. Some specific guidance on preparing guidelines procedures are provided below:

1. Provide a description of how the number of HOME-assisted units in the project will be determined, as well as which units will have High HOME rents and Low HOME rents. (For assistance in this area, see this manual's section regarding rental housing. In addition, upon request, the Department has available the HUD CPD Notice 98-02, "Allowable Costs and Identifying HOME-assisted Units in Multi-unit Projects.")
2. The guidelines must state the actual limits for high and low HOME rents by bedroom size and the limits must not exceed the current HUD limits. It is not adequate for the guidelines to state that HUD-published rent limits will be used.
3. The guidelines must state the actual limits by household size to be used in the program and the limits must not exceed the current HUD limits. The guidelines must also specifically state the federal initial occupancy rule of 90% of the units occupied by households at or below 60% of median income by household size. They must also state the federal requirement that for projects with 5 or more HOME-assisted units, a minimum of 20% of the units must be rented to households at or below 50% of median income by household size at the low HOME rents. It is not adequate for the guidelines to state that HUD-published income limits will be used.
4. The guidelines must state the actual subsidy limits by bedroom size that your program will use. These limits can be lower than the HUD-published limit for your county, but cannot exceed the HUD-published limits. It is not adequate for the guidelines to state that HUD-published subsidy limits will be used.
5. Provide information listing the required terms for affordability. The required period of affordability is 55 years for this program. The guidelines can state longer periods of affordability as long as the minimum-required period is met.
6. How will the reasonableness of rehabilitation costs be determined and by whom? Will an appraisal be required?
7. Provide a description or method of determining the amount of HOME assistance to be provided to a project, including the owner's rate of return on equity investment. This might include a description of your loan underwriting procedures. Applicants must utilize the State UMR contained in Sections 8300-8316 and included as Appendix H in this manual.
8. The guidelines must require properties to meet, at a minimum, all applicable local code standards at time of purchase.

9. Describe the affirmative marketing procedures which will be followed to ensure that all members of the community are properly served. Describe planned outreach efforts to underserved groups in your community. Where will you advertise? Will you hold public meetings?
10. Describe how relocation of any project tenants will be handled. Federal relocation and anti-displacement requirements must be complied with and you will be required to have a relocation plan in place that meets all federal requirements.
11. The guidelines must either exclude properties constructed prior to 1978 or address requirements a., b. and c. of Item 4. (Be aware this is the minimum we are looking for in your guidelines. If you fund pre-1978 properties, you will need to have procedures for the required notification, inspections, abatement, etc.)
12. The Department requires that all HOME funds be in the form of loans, except for the least cost method of complying with federal lead paint regulations, activity delivery costs and relocation payments. Do not propose a grant for any other activity.
13. Provide a description of how properties will be selected. Describe the application and screening process, such as, first-come, first-served; location; size of units, etc.
14. Provide a description of how property owners will be selected, including the application and screening process.
15. Provide a description of how tenant households will be selected. The Applicant is required to provide a description of how households will be selected, and should include information about whether the program will operate as first-come, first-served, lottery or other. Also, describe the application and screening process.
16. You must describe the inspection procedures and the job title of the person(s) responsible for performing them. Remember properties must meet all applicable local code standards and pre-1978 properties will require lead-based paint inspections.
17. Provide a description of how you will ensure initial and long-term compliance with income, rents and local code requirements.

Subsection B. Match

This subsection requires information about the source and dollar amount of required match. For the 2003 HOME Applications, applicants must identify 25 percent matching funds. The source of match identified must be eligible. Administrative funds do not require match; but the total Project Costs, including Activity Delivery Costs, do require match. For a brief description of match, refer to the Match Section of this manual. For more detailed information refer to HUD CPD Notice 97-03, Match Guidance, available upon request.

For purposes of the application, in-kind contributions of city, county or consultant staff time or office space will not be counted toward the match obligation or to the leveraging rating criteria. However, subject to compliance with CPD Notice 97-03, it may be possible, on a case-by-case basis, to count these sources toward your match or leveraging obligation during the actual implementation of your activity.

Section IV. Leverage

This section requires information about other permanent financing provided to the HOME Program. Public funds must be documented by resolutions or commitment letters as stated in the application. Letters of commitment or resolutions for public funds and letters of interest from other lenders must be complete.

To be considered for leverage points, letters or resolutions must state **all of the following**:

- the source providing the financing,
- the use of the funds being provided,
- the dollar amount of funds available or committed, and
- the estimated number of loans to be made from those funds.

For purposes of the application, in-kind contributions of city, county or consultant staff time or office space will not be counted toward the match obligation or to the leveraging rating criteria. However, subject to compliance with CPD Notice 97-03, it may be possible, on a case-by-case basis, to count these sources toward your match or leveraging obligation during the actual implementation of your activity.

Note: If only an amount per unit is stated or only a number of units is stated, the Department will be unable to verify a total amount and it will not be acceptable documentation of leverage.

If an applicant, developer or owner is proposing to use its own funds or funds of a non-institutional lender, the application must provide documentation that the funds are actually available. Only funds documented as required in the application (maximum potential leverage) will be used in calculating the leverage ratio.

Some forms of match can also be counted as leverage. These amounts must be listed on both the match chart in Section III.B and the leverage chart in Section IV to receive credit as both match and leverage. For example, if redevelopment funds are being provided as match, they probably should be listed as leverage as well, but if a redevelopment agency is providing an interest rate buy-down, it would be counted only as match, not as leverage. **Note: While documentation is not required for match, documentation must be provided to count as leverage.**

ATTACHMENT 8-PROGRAM

RENTAL REHABILITATION WITH OR WITHOUT ACQUISITION

This attachment is required if the applicant is proposing a rental rehabilitation program, with or without acquisition.

Section I. Prior Experience

This section requires information regarding the applicant's (or administrative subcontractor's) experience in administering a rental rehabilitation program. You must choose whose experience will be listed in the chart. To obtain the maximum credit in the rating, **choose the entity with the most experience** in this specific activity. The chart requests information about prior year programs administered, specifically the program funding source and the number of housing units completed by year. This information will be used to compare each applicant's (or administrative subcontractor's) experience relative to the experience of other applicants (or administrative subcontractors). Note: that this method may result in a different score for the same experience submitted in previous years.

Section II. Feasibility - Need

This section requires information regarding need in the community for the specific proposed activity. In order to receive points under Section II.A and II.B of this attachment, the Housing Element of the jurisdiction in which the activity is proposed must be in substantive compliance as of the application final filing date, as stated in the NOFA.

Subsection A. Housing Element

This section requires the applicant to document the need for a rental rehabilitation program by submitting, with the application, the pages of the Housing Element that clearly demonstrate the need for this specific activity.

Subsection B. Demonstration of Need

Further requires the applicant to submit the pages of the Housing Element that show the number of units in the jurisdiction that need replacement and the number of units in the jurisdiction needing rehabilitation. **Note: The applicant should also submit page(s) from the Housing Element that show the total number of housing units in the jurisdiction.** This will enable the Department to determine the percentages of housing units needing replacement or rehabilitation.

Section III. Feasibility Readiness

This section requires information that demonstrates the applicant's level of readiness to implement the activity. This is based on having adequate guidelines/operating procedures in place and identifying sufficient, eligible match for the program (regardless of any match waiver that may be in effect for the jurisdiction).

In Subsection A of this section, the applicant must provide program guidelines and/or procedures for the rental rehabilitation (with or without acquisition) program. In Subsection B, the applicant must provide the actual rehabilitation standards that will be used for the program. The applicant is also required to indicate where the items listed on the charts entitled “Provisions in Guidelines” and “Rehabilitation Standards” can be found.

Three steps must be followed to accomplish this:

- **In the charts in Subsection A and B, the applicant must indicate the page number where that items can be found in the guidelines/procedures;**
- **In the guidelines/procedures submitted, the applicable section must be highlighted;**
- **In the guidelines/procedures submitted, in the margin next to a highlighted area, the applicant must write the number of the item being addressed. (This would be the number of the item as shown in the charts in Subsection A or B.)**

Follow these instructions carefully to ensure you receive proper credit in the rating of your application. Some specific guidance on preparing guidelines procedures is provided below:

Subsection A. Program Guidelines

1. Provide a description of how the number of HOME-assisted units in the project will be determined, as well as which units will have high and low rents. (For assistance in this area, see the section on rental housing in this manual. In addition, upon request, the Department has available the HUD CPD Notice 98-02, "Allocating Costs and Identifying HOME-assisted Units in Multi-unit Projects.")
2. The guidelines must state the actual limits by household size to be used in the program and the limits must not exceed the current HUD limits. It is not adequate for the guidelines to state that HUD-published income limits will be used.
3. The guidelines must state the actual limits by household size to be used in the program and the limits must not exceed the current HUD limits. The guidelines must also specifically state the federal initial occupancy rule of 90% of the units occupied by households at or below 60% of median income by household size. They must also state the federal requirement that for projects with 5 or more HOME-assisted units, a minimum of 20% of the units must be rented to households at or below 50% of median income by household size at the low HOME rents. It is not adequate for the guidelines to state that HUD-published income limits will be used.
4. The guidelines must state the actual subsidy limits by bedroom size that your program will use. These limits can be lower than the HUD-published limit for your county, but cannot exceed the HUD-published limits. It is not adequate for the guidelines to state that HUD-published subsidy limits will be used.

5. Provide information listing the required terms for affordability. The periods of affordability must specify the number of required years for the amounts of HOME assistance provided (10, 15, 20 years or longer) for Rental Rehabilitation-Only. Rental Rehabilitation with Acquisition affordability period is a minimum of 55 years, however, the guidelines may state longer periods of affordability.
6. How will the reasonableness of rehabilitation costs be determined and by whom? Will it be based on the scope of work? Will it be based on the submitted bids? If by bid, who will prepare costs estimates before the bid process is announced?
7. Provide a description or method of determining the amount of HOME assistance to be provided to a project, including the owner's rate of return on equity investment. Applicants must utilize the State UMR contained in Section 8300-8316 and included as Appendix H in this Manual.
8. Describe the affirmative marketing procedures which will be followed to ensure that all members of the community are properly served. Describe planned outreach efforts to underserved groups in your community. Where will you advertise? Will you hold public meetings?
9. Describe how relocation of any project tenants will be handled. Federal relocation and anti-displacement requirements must be complied with and you will be required to have relocation plan in place that meets all federal requirements.
10. The guidelines must either exclude properties constructed prior to 1978 or address the requirements contained in Items 4a, b and c. (Please note that these are the minimum guideline requirements. If you fund pre-1978 properties, you will need to have procedures for the required notification, inspections, abatement, etc.)
11. The Department requires that all HOME funds be in the form of loans.
12. Provide a description of how properties will be selected. Describe the application and /or screening process, such as, first-come, first-served; location; size of units, etc.
13. Provide a description of how property owners will be selected, including the application and screening process. How will you determine if an owner has the capability to manage a HOME subsidized rental project? Will you review applicant's prior experience with property management?
14. Provide a description of how tenant households will be selected. The description of how households will be selected should include information about whether the program will operate as first-come, first-served, lottery or other. Also, describe the application and screening process.

15. There must be a description of initial, interim and final inspection procedures and the job title of the person(s) responsible for performing them. Note: Inspections need to be performed for code compliance, work write-ups, and progress inspections, if construction progress payments are being made with HOME funds.

16. Provide a description of the process to be followed in developing work write-ups and cost estimates. Also provide the job title of the person(s) responsible for performing and/or reviewing them.

17. Be sure to describe the contractor selection process carefully and completely, including checking for State and federal eligibility and contract award. Will the applicant conduct the bid process? Will the project owner? Will the project owner be supplied with a list of approved contractors? Will three bids be required? Federal procurement requirements must be considered if the applicant will supply an approved list or conduct the bid process for the project owners.

18. Provide a description of how you will ensure that initial and long-term compliance with income, rents and local code requirements.

Subsection B. Rehabilitation Standards

1. Specify what type of work items will be eligible and ineligible for assistance under the proposed program. You should show specific lists of eligible and ineligible items.

2. Describe whether general property improvements (gpi) will be allowable costs under the proposed program. If yes, describe what types of general property improvements will be allowed and how much of the total rehabilitation costs will be allowed for gpi. Examples of gpi could be incipient repairs and general property improvements of a non-luxury nature.

3. List specifically what local property codes or other property standards must be met at the completion of rehabilitation.

Subsection C. Match

This subsection requires information about the source and dollar amount of required match. For the 2003 applications, applicants must identify 25 percent matching funds. The source of match identified must be eligible. Administrative funds do not require match; but the total Project Costs, including Activity Delivery Costs, do require match. For a brief description of match, refer to the Match Section of this manual. For more detailed information refer to HUD CPD Notice 97-03, Match Guidance, available upon request. If you need assistance in this area contact your HOME Representative.

For purposes of the application, in-kind contributions of city/county or consultant staff time or office space will not be counted toward the match obligation or to the leveraging rating criteria. However, subject to compliance with CPD Notice 97-03, it may be possible, on a case-by-case basis, to count these sources toward your match or leveraging obligation during the actual implementation of your activity.

Section IV. Leverage

This section requires information about other permanent financing provided to the HOME Program. Public funds must be documented by resolutions or commitment letters as stated in the application. Letters of commitment or resolutions for public funds and letters of interest from other lenders must be complete.

To be considered for leverage points, letters or resolutions must state **all of the following**:

- the source providing the financing,
- the use of the funds being provided,
- the dollar amount of funds available or committed, and
- the estimated number of loans to be made from those funds.

For purposes of the application, in-kind contributions of city, county or consultant staff time or office space will not be counted toward the match obligation or to the leveraging rating criteria. However, subject to compliance with CPD Notice 97-03, it may be possible, on a case-by-case basis, to count these sources toward your match or leveraging obligation during the actual implementation of your activity.

Note: If only an amount per unit is stated or only a number of units is stated, the Department will be unable to verify a total amount and it will not be acceptable documentation of leverage.

If an applicant, developer or owner is proposing to use its own funds or funds of a non-institutional lender, the application must provide documentation that the funds are actually available. Only funds documented as required in the application (maximum potential leverage) will be used in calculating the leverage ratio.

Some forms of match can also be counted as leverage. These amounts must be listed on both the match chart in Section III.B. and the leverage chart in Section IV.B. to receive credit as both match and leverage. For example, if redevelopment funds are being provided as match, they probably should be listed as leverage as well, but if a redevelopment agency is providing an interest rate buy-down, it would be counted only as match, not as leverage. **Note: While documentation is not required for match, documentation must be provided to count as leverage.**

ATTACHMENT 9 – PROGRAM **TENANT-BASED RENTAL ASSISTANCE**

Attachment 9 is specific to tenant-based rental assistance programs.

Section I. Prior Experience

This section requires information relating to the applicant's (or administrative subcontractor's) experience in administering a tenant-based rental assistance program. You must choose whose experience will be listed in the chart. To obtain the maximum credit in the rating, **choose the entity with the most experience** in this specific activity. The chart requests information about prior year programs administered, specifically the program funding source and the number of housing units assisted by year. This information will be used to compare each applicant's (or administrative subcontractor's) experience relative to the experience of other applicants (or administrative subcontractors). Note: that this method may result in a different score for the same experience submitted in previous years.

Section II. Feasibility - Need

This section requires information regarding need in the community for the specific proposed activity. In order to receive points under Subsection II.A of this attachment, the Housing Element of the jurisdiction in which the activity is proposed must be in substantive compliance as of the application final filing date as stated in the NOFA.

Subsection A. Housing Element

This section requires the applicant to document the need for a tenant-based rental assistance program by submitting, with the application, the pages of the Housing Element that clearly demonstrate the need for this specific activity.

Subsection B. Section 8 Waiting List

This section requires the applicant to submit a copy of the current Section 8 waiting list for the jurisdiction or, in the case of counties, the current Section 8 waiting list for the area(s) of the county proposed to be served with tenant-based rental assistance.

Section III. Feasibility - Readiness

This section requires information that demonstrates the applicant's level of readiness to implement the activity. This is based on having adequate guidelines/operating procedures in place and identifying sufficient, eligible match for the program (regardless of any match waiver that may be in effect for the jurisdiction). This section also requires that the applicant submit its sample tenant lease.

In Subsection A., the applicant must provide program guidelines and/or operating procedures for the tenant-based rental assistance program. The applicant is also required to indicate where the

items listed on the chart entitled “Provisions in Guidelines” can be found.

Three steps must be followed to accomplish this:

- **In the chart in Subsection III.A, the applicant must indicate the page number where that item can be found in the guidelines/procedures.**
- **In the guidelines/procedures submitted, the applicable section must be highlighted.**
- **In the guidelines/procedures submitted, in the margin next to a highlighted area, the applicant must write the number of the item being addressed. (This would be the number of the item as shown in the chart in Subsection III.A.)**

Follow these instructions carefully to ensure you receive proper credit in the rating of your application.

Subsection A. Program Guidelines

1. The guidelines must clearly state what the HOME TBRA funds will be used for. There are basically three types of uses: 1) to help pay for monthly rent and utility costs (security and/or utility deposits can be paid for in conjunction with monthly rental assistance); 2) to pay for security deposits without ongoing monthly assistance (utility deposits can be paid for in conjunction with security deposit assistance); and 3) to prevent displacement of or to provide relocation assistance to tenants living in units that will be acquired, demolished or rehabilitated with HOME funds. Note that HOME TBRA cannot be used to pay for security deposits only or to pay for overnight or temporary shelter for homeless persons.

2. The applicant must have a written tenant selection policy that clearly specifies how households to be assisted will be selected. Any preferences (persons with disabilities, for instance) in selection should be spelled out in the guidelines. Preferences cannot be administered in a manner that limits opportunities of persons based on race, color, religion, sex, national origin, handicap, or familial status. A person given a preference for this program may not be restricted from applying for or participating in other available programs or forms of assistance for which they may qualify (e.g. Section 8 assistance.)

3. Guidelines should clearly state the area in which the assistance can be used (e.g., within the applicant’s entire jurisdiction or only a part of the applicant’s jurisdiction). Note that under State HOME regulation 8209, TBRA assistance is restricted to families who maintain residence within the boundaries of the jurisdiction providing the assistance, unless otherwise requested by the State Recipient. No assistance may be provided outside the boundaries of the State of California.

4. The guidelines must establish whether the rental assistance will be provided to the owner who leases the unit to an eligible household or directly to the household assisted. This will affect the form of the contract.

5. The guidelines must state what the term of the rental assistance will be. Each subsidy contract cannot exceed a term of 24 months. (However, assistance to a specific household can be extended under subsequent HOME contracts if the jurisdiction continues to administer a TBRA program.

6. The guidelines must state that the rent for any assisted unit must be reasonable in comparison to rents charged for comparable unassisted rental units, in order for a lease to be approved. It is the responsibility of the administering jurisdiction to make this rent “reasonableness” determination by documenting the rents for comparable units. This applies to a certificate model TBRA program, a voucher model program, or any other program design proposed.

7. The guidelines must state that the minimum tenant contribution is 10% of gross income.

8. The guidelines must show what the jurisdiction’s payment standard will be for each available bedroom size. This can be based on HUD’s published Fair Market Rents (FMRs) or upon a market analysis performed by the applicant.

If the jurisdiction chooses to use HUD’s FMRs, then the payment standard for each size unit cannot be less than 80% of the published FMR.

The payment standard shown in the guidelines must include the rent and the estimated average monthly cost of the utilities for which the household will pay separately from the rent to the landlord. The Section 8 utility allowance may be used or the applicant can establish its own schedule of allowances, which must be supported by documentation.

9. There must be a statement that the maximum subsidy cannot exceed the difference between the rent standard and 30% of the household’s adjusted income.

10. The guidelines must state that assisted units must comply with Section 8 Housing Quality Standards. Note that HQS also includes a basic occupancy standard which can have some modifications according to household composition and circumstances. A jurisdiction cannot use another occupancy standard unless it is at least as stringent as HQS. Note that new, much more comprehensive and expensive lead-based paint requirements are effective for all assisted units, effective September 15, 2000.

11. The guidelines must include a description of how the inspections for HQS will be accomplished and must list the job titles of the person(s) who will be responsible for actually doing the inspections.

12. The guidelines must state the actual limits by household size to be used in the program and the limits must not exceed the current HUD limits. The guidelines must further state that at least 90% of the households assisted will have incomes at or below 60% of median income by household size. It is not adequate for the guidelines to state that HUD-published income limits will be used.

13. There must be a statement that household income and size will be reexamined by the jurisdiction on an annual basis. The guidelines should identify the job titles of the person(s) who will be responsible for the annual reexaminations.

14. The guidelines must specifically state that terminations of tenancy or failure to renew tenants' leases will be only permitted for one of the following reasons:

- Tenants have serious or repeated violations of the terms and conditions of the lease;
- Tenants violate applicable federal, state or local law;
- Tenants were part of a transitional housing program and completed their allowable transitional housing period; or
- Other "good cause" exists for termination of the tenancy.

Applicants are asked to attach a sample tenant lease as proposed for use in the tenant-based rental assistance program. Note that the proposed lease should not include any provisions prohibited under federal HOME regulations at section 92.253(b). HUD's lease addendum may be used to meet this requirement.

Subsection C. Match

This subsection requires information about the source and dollar amount of required match. For the 2003 applications, applicants must identify 25 percent matching funds. The source of match identified must be eligible. Administrative funds do not require match; however, the total Project Costs does require a match. For a brief description of match, refer to the Match Section of this manual. For more detailed information refer to HUD CPD Notice 97-03, Match Guidance, available upon request. If you need assistance in this area contact your HOME Representative.

For purposes of the application, in-kind contributions of city/county or consultant staff time or office space will not be counted toward the match obligation or to the leveraging rating criteria. However, subject to compliance with CPD Notice 97-03, it may be possible, on a case-by-case basis, to count these sources toward your match or leveraging obligation during the actual implementation of your activity.

Section IV. Leverage

This section requires information about other funding provided to the HOME tenant-based rental assistance program. Public funds must be documented by resolutions or commitment letters as stated in the application. Letters of commitment or resolutions for public funds and letters of interest from other lenders must be complete.

To be considered for leverage points, letters or resolutions must state **all of the following**:

- the source providing the financing,
- the use of the funds being provided,
- the dollar amount of funds available or committed, and
- the estimated number of loans to be made from those funds.

For purposes of the application, in-kind contributions of city, county or consultant staff time or office space will not be counted toward the match obligation or to the leveraging rating criteria. However, subject to compliance with CPD Notice 97-03, it may be possible, on a case-by-case basis, to count these sources toward your match or leveraging obligation during the actual implementation of your activity.

Note: If only an amount per unit is stated or only a number of units is stated, the Department will be unable to verify a total amount and it will not be acceptable documentation of leverage.

Only funds documented as required in the application (maximum potential leverage) will be used in calculating the leverage ratio.

Some forms of match can also be counted as leverage. These amounts must be listed on both the match chart in Section III.C and the leverage chart in Section IV.B to receive credit as both match and leverage. For example, if redevelopment funds are being provided as match, they probably should be listed as leverage as well. Note: While documentation is not required for match, documentation must be provided to count as leverage.

ATTACHMENT 10-PROJECT **RENTAL NEW CONSTRUCTION**

Attachment 10 is required for all applicants proposing to use HOME funds for rental new construction projects.

Section I. Project Information

List all information on the proposed project, which includes the project name, location, owner, managing general partner (if different than the owner), the developer and the architect. Lines A through F must be completed. **Very important note: if any of the experience in Attachment 10 is for parties other than the applicant, the owner, the managing general partner, the developer and the architect, the application must, on page 10-1, describe whose experience is listed and their exact legal relationship with all of the appropriate parties listed.** For example, one might state that the experience listed at the “Developer” section is that of the stockholders of Company “A,” and that these same stockholders also own Company “B,” which is listed as the Developer. Or, one might state that the experience listed at the “Owner” section is that of the parent company, which will create a separate single asset corporation to be the Owner, which will be under the parent company’s control.

Section II. Prior Experience

Subsection A. (Experience of the applicant, city/county administering the CHDO project, or administrative subcontractor) and Subsection B (Developer).

List only rental new construction projects completed January 1, 1999 through November 17, 2003 inclusive. The project list must identify the project name, location, total units, number of subsidized units, funding sources, and the completion date (mo/yr). Please make sure the month (and year) of completion is shown for projects completed in 2003.

Subsection C. (Experience of the owner or managing general partner identified in Section I).

List all rental new construction projects owned by the owner (or where the managing general partner was owner or managing general partner), at any time from January 1, 1999 through November 17, 2003 inclusive, regardless of when they were completed.

Subsection D. (Experience of developer, owner and/or managing general partner identified in Section I with HCD projects).

List all HCD-funded rental new construction projects in which the developer, owner and/or managing general partner have participated in, at any time from January 1, 1999 through November 17, 2003 inclusive, regardless of when they were completed.

Section III. Development Milestones

The section requires specific information regarding development milestones, including, but not limited to, the status of site control of the project, the status of local government approvals (such as zoning approvals or variances), compliance with Article XXXIV, and specific information relating to other financing in place.

Subsection A. Site Control

Site control must meet the requirements of State UMR Section 8303 in Appendix H of this manual.

Subsection B. Local government approvals

The required letter must be from the local government official of the jurisdiction where the project is located. The letter must address each of the listed local government approvals whether or not they are applicable to your project at this time. If the Department, in its sole discretion, determines that the letter is not clear as to the status of a particular item, it will not award readiness points for that item.

Subsection C. Article XXXIV

The required letter must be from the local government counsel of the jurisdiction where the project is located. CHDO note: If the local government does not wish to provide an opinion on the applicability of Article XXXIV for your project, you may substitute a letter from your own legal counsel. However, a letter from your own legal counsel will only be acceptable documentation if you obtain a letter from the proper local government counsel stating they will not offer an opinion, but will defer to the opinion of the CHDO's legal counsel on this issue. If the letter is not on the local government's letterhead, provide a letter from the local government stating the name of their legal counsel.

Subsection D. Regional, State, or Federal Permits or Approvals

The required letter from the applicant must indicate any approvals or status of required regional, state, or federal permits or approvals. If this letter indicates that any approvals have been provided, attach the approval documentation.

Subsection E. Permanent Project Financing Commitments

Letters of commitment (not interest letters) for permanent financing must include all of the following elements:

- the borrower's name;
- the project name (if any);
- the project site's address, assessor's parcel number or legal description; and
- the amount, interest rate and terms of the financing being committed.

If any elements are missing from the letter, full points cannot be awarded in the rating of the application. The letter may be conditioned on certain standard underwriting criteria, such as appraisals, but may not be generally conditional. Examples of unacceptable general conditions include such phrases as: “subject to senior management approval,” a statement that omits the word “commitment”; but instead indicates the lender’s “willingness to process an application,” “subject to Loan Committee approval.”

Note: tax-exempt bond/loan commitments conditioned on the award of bond authority from a Public Agency including, but not limited to, the California Debt Limitation Advisory Committee (CDLAC) will not be accepted without the Public Agency or CDLAC approval letter and a permanent financing commitment letter meeting the requirements identified in Section E above.

Subsection F. Phase I Environmental Assessment

Submit a Phase I for the project and project site. We recommend that it address the existence of asbestos and lead-based paint, if applicable. This document is not equivalent to the NEPA Environmental Assessment.

Subsection G. Pending Lawsuits

Submit an applicant self-certification whether pending lawsuits would impact the project implementation.

Subsection H. Design Progress

The submitted agreement must: 1) be executed; 2) list the same pre-identified architect in the HOME Application; and 3) represent the project design through working drawings.

Section IV. Fiscal Integrity

Demonstrating fiscal integrity and compliance with the State UMR commencing with Section 8300 is critical for successful application scoring. The information provided in this section should be internally consistent with the other components of your application and reflect the representations of the nature of the project.

Subsections A and B. Development Phase and Operations Phase

The HOME Application includes three required forms: 1) Construction Sources and Uses; 2) Permanent Sources and Uses; and 3) Income Information. Information requested that is not applicable to your project can be indicated by using N/A in the areas of the form that do not apply. Provide on your own forms a 15 year operating pro forma. The budget must include a detailed line item breakdown of all proposed income and operating expenses. Submit the Income Information Form and verify that the rents for the HOME-assisted units plus the allowance for any tenant paid utilities (established by your local Housing Authority) and tenant-based rental subsidy does not exceed the allowable HUD rent limits. Refer to State UMR Sections 8308-8314 included as Appendix H of this manual for additional information regarding applicable project underwriting requirements.

Section V. Local Market Information

List the rents for the HOME units and ensure that the proposed HOME rents include the allowance for any tenant-paid utilities, established by your local Housing Authority. If project-based rental assistance will be used to reduce the tenant paid utilities, ensure that this is clearly stated in the form and that the estimated amount of tenant paid rents is also clear. Include the methodology for estimating the rent levels.

Section VI. Match

This section requires information about the source and dollar amount of required match. For the 2003 applications, applicants must identify 25 percent matching funds. The source of match identified must be eligible. Administrative funds do not require match; but the total Project Costs, including Activity Delivery Costs, do require match. For a brief description of match, refer to the Match Section of this manual. For more detailed information refer to HUD CPD Notice 97-03, Match Guidance, available upon request.

For purposes of the application, in-kind contributions of city, county or consultant staff time or office space will not be counted toward the match obligation or to the leveraging rating criteria. However, subject to compliance with HUD CPD Notice 97-03, it may be possible, on a case-by-case basis, to count these sources toward your match or leveraging obligation during the actual implementation of your activity.

Section VII. Leverage

Leverage includes permanent, not construction, financing provided to the proposed project. Leverage must be documented, and applications which do not contain the leverage documentation required in the application will not receive credit. The same documentation requirements listed above for “Permanent Project Financing Commitments” apply to Leveraging. Letters of commitment from public or private sources (not interest letters) or resolutions by a public body must contain all of the following elements:

- the borrower’s name;
- the project name (if any);
- the project site’s address, assessor’s parcel number or legal description; and
- the amount, interest rate and terms of the financing being committed.

For purposes of the application, in-kind contributions of city, county or consultant staff time or office space will not be counted toward the match obligation or to the leveraging rating criteria. However, subject to compliance with HUD CPD Notice 97-03, it may be possible, on a case-by-case basis, to count these sources toward your match or leveraging obligation during the actual implementation of your activity.

All permanent financing commitments for the proposed project must be for the minimum term of 30 years. Commitments of deferred developer fees in tax credit projects will not be counted as permanent financing commitments or leveraging.

If an applicant, developer or owner is proposing to use its own funds or funds of a non-institutional lender, the application must provide documentation that the funds are actually available. Only funds documented as required in the application (other permanent financing required) will be used in calculating the leverage ratio. Property (land and improvements) donations count as leveraging only if the application contains: a) a letter or resolution donating the land, describing all conditions of the donation, and containing all of the information required for a permanent financing letter, and b) an appraisal showing the current value of the land/building (a broker's letter is not acceptable).

Some forms of match can also be counted as leverage. These amounts must be listed on both the match chart in Section VI.B. and the leverage chart in Section VII.B. to receive credit as both match and leverage. For example, if redevelopment funds are being provided as match, they probably should be listed as leverage as well. **Note: While documentation is not required for match, documentation must be provided to count the match as leverage.**

State Review Process for Rating Fiscal Integrity

Your rental project application will be evaluated for compliance with the new requirements in the State UMR, commencing with Section 8300, included as Appendix H in this manual. The HOME requirements regarding reserves and debt coverage ratio in the application have been superseded by the requirements in the State UMR. In addition, the new regulations establish requirements for several underwriting criteria such as vacancy rates, operating expenses, positive cash flow, trending rate assumptions, construction contingency, development cost limits, developer fees, and use of cash flow.

Applicants must also ensure the applications address several questions such as:

1. Do the HOME rents comply with the HOME rent limits?
2. Is the program rule that 90 percent of all tenants in HOME assisted units during the first year of occupancy have incomes that are 60 percent or less of the area median income met?
3. Is the project rule that 20 percent of the HOME assisted units be occupied by very low income (50 percent of median) met if the project has 5 or more HOME units? Are these units rented at or below the Low HOME rents?
4. Is the multi-year pro forma for 15 years?
5. Are the unit/bedroom distribution, rents, and projected revenue consistent with the Income Information form?
6. Is the debt service consistent with the commitment letters and any interest rate adjustments shown in the commitment letters?

7. Is the operating budget consistent with the multi-year pro forma?
8. Are there enough sources to pay development costs?
9. Are there ineligible HOME costs such as furnishings, off-site improvements, replacement reserve, or refinancing?
10. Is relocation, lead-based paint, or asbestos mitigation budgeted if needed?
11. Do the construction and permanent sources and uses match the commitment letters?
12. Are the values and fund uses shown in the construction and permanent sources and uses consistent with each other?
13. Is the total development cost internally consistent in the application?
14. Are the HOME funds requested the lower of:
 - the 221(d)(3) limits, as adjusted by unit size and county, multiplied by the number of HOME units, OR
 - the ratio of HOME units as a percentage of all units multiplied by the Total Development Costs

ATTACHMENT 11-PROJECT

RENTAL ACQUISITION WITHOUT REHABILITATION

Attachment 11 is required for all applicants proposing to use HOME funds for acquisition of rental projects which do not need rehabilitation.

Section I. Project Information

List all information for the proposed project, including the project name, location, owner, managing general partner (if different than the owner), and project inspector. Lines A through E must be completed.

Section II. Prior Experience

Subsection A. (Experience of the applicant, city/county administering the CHDO project, or administrative subcontractor) and Subsection B (Developer).

List only rental acquisition without rehabilitation projects completed January 1, 1999 through November 17, 2003 inclusive. The project list must identify the project name, location, total units, number of subsidized units, funding sources, and the completion date (mo/yr). Please make sure the month (and year) of completion is shown for projects completed in 2003.

Subsection C. (Experience of the owner or managing general partner identified in Section I).

List all rental acquisition without rehabilitation projects owned by the owner (or where the managing general partner was owner or managing general partner), at any time from January 1, 1999 through November 17, 2003 inclusive, regardless of when they were completed.

Subsection D. (Experience of developer, owner and/or managing general partner identified in Section I with HCD projects).

List all HCD-funded rental acquisition without rehabilitation projects in which the developer, owner and/or managing general partner have participated in, at any time from January 1, 1999 through November 17, 2003 inclusive, regardless of when they were completed.

Section III. Development Milestones

The section requires specific information regarding development milestones, including, but not limited to, the status of site control of the project, the status of local government approvals (such as zoning approvals or variances), compliance with Article XXXIV, and specific information relating to other financing in place.

Subsection A. Site Control

Site control must meet the requirements of State UMR Section 8303 included as Appendix H in this manual.

Subsection B. Article XXXIV

The required letter must be from the local government counsel of the jurisdiction where the project is located. CHDO note: If the local government counsel does not wish to provide an opinion on the applicability of Article XXXIV for your project, you may substitute a letter from your own legal counsel. However, a letter from your own legal counsel will only be acceptable documentation if you obtain a letter from the proper local government counsel stating they will not offer an opinion, but will defer to the opinion of the CHDO's legal counsel on this issue.

Subsection C. Permanent Project Financing Commitments

Letters of commitment (not interest letters) for permanent financing must include all of the following elements:

- the borrower's name;
- the project name (if any);
- the project site's address, assessor's parcel number or legal description; and
- the amount, interest rate and terms of the financing being committed.

If any elements are missing from the letter, full points cannot be awarded in the rating of the application.

Subsection D. Phase I Environmental Assessment

Submit a Phase I for the project and project site. We recommend that it address the existence of asbestos and lead-based paint, if applicable. This document is not equivalent to the NEPA Environmental Assessment.

Subsection E. Pending Lawsuits

Submit an applicant self-certification whether pending lawsuits would impact the project implementation.

Subsection F. Acquisition Progress

The certification must state that at least 50 percent of the units have been inspected and that there is no need for rehabilitation after the property is acquired. The applicant must also submit the inspector's qualifications for conducting the review of the property which includes a resume and list of similar projects.

Subsection G. Relocation

The applicant must survey all the tenants in the proposed project and provide information regarding relocation needs in the format provided. The relocation cost should be included in the sources and uses budget.

Section IV. Fiscal Integrity

Demonstrating fiscal integrity is critical in successful scoring of your application. The information provided in this section should be internally consistent with the other components of your application and reflect the representations of the nature of the project.

Subsections A and B. Development Phase and Operations Phase

The HOME Application includes three required forms: 1) Construction Sources and Uses; 2) Permanent Sources and Uses; and 3) Income Information. Information requested that is not applicable to your project can be indicated by using N/A in the areas of the form that do not apply. Provide on your own forms an operating pro forma for 15 years. The budget must include a detailed line item breakdown of all proposed income and operating expenses. Submit the Income Information form and verify that the rents for the HOME-assisted units plus the allowance for any tenant paid utilities (established by your local Housing Authority) does not exceed the allowable HUD rent limits. Refer to Sections 8308-8314 of the State UMR included as Appendix H of this manual for additional information regarding applicable project underwriting requirements.

Section V. Local Market Information

List the rents for the HOME units and ensure that the proposed HOME rents include the allowance for any tenant-paid utilities, established by your local Housing Authority.

Section VI. Match

This section requires information about the source and dollar amount of required match. For the 2003 applications, applicants must identify 25 percent matching funds. The source of match identified must be eligible. Administrative funds do not require match; but the total Project Costs, including Activity Delivery Costs, do require match. For a brief description of match, refer to the Match Section of this manual. For more detailed information refer to HUD CPD Notice 97-03, Match Guidance, available upon request. If you need assistance in this area contact your HOME Representative.

For purposes of the application, in-kind contributions of city/county or consultant staff time or office space will not be counted toward the match obligation or to the leveraging rating criteria. However, subject to compliance with CPD Notice 97-03, it may be possible, on a case-by-case basis, to count these sources toward your match or leveraging obligation during the actual implementation of your activity.

Section VII. Leverage

Leverage includes permanent financing provided to the proposed project. Leverage must be documented, and applications which do not contain the leverage documentation required in the application will not receive credit.

Letters of commitment from public or private sources (not interest letters) or resolutions must contain all of the following elements:

- the borrower's name;
- the project name (if any);
- the project site's address, assessor's parcel number or legal description; and
- the amount, interest rate and terms of the financing being committed.

For purposes of the application, in-kind contributions of city, county or consultant staff time or office space will not be counted toward the match obligation or to the leveraging rating criteria. However, subject to compliance with CPD Notice 97-03, it may be possible, on a case-by-case basis, to count these sources toward your match or leveraging obligation during the actual implementation of your activity.

All permanent financing commitments for the proposed project must be for the minimum term of 30 years. Commitments of deferred developer fees in tax credit projects will not be counted as permanent financing commitments or leveraging.

If an applicant, developer or owner is proposing to use its own funds or funds of a non-institutional lender, the application must provide documentation that the funds are actually available. Only funds documented as required in the application (other permanent financing required) will be used in calculating the leverage ratio.

Property (land and improvements) donations count as leveraging only if the application contains: a) a letter or resolution donating the land, describing all conditions of the donation, and containing all of the information required for a permanent financing letter, and b) an appraisal showing the current value of the land/building (a broker's letter is not acceptable.)

Some forms of match can also be counted as leverage. These amounts must be listed on both the match chart in Section III.C and the leverage chart in Section IV. B to receive credit as both match and leverage. For example, if redevelopment funds are being provided as match, they probably should be listed as leverage as well. Note: While documentation is not required for match, documentation must be provided to count as leverage.

State Review Process for Rating Fiscal Integrity

Your rental project application will be evaluated for compliance with the new requirements in the State UMR (commencing with Section 8300) included as Appendix H in this manual. The HOME requirements regarding reserves and debt coverage ratio in the application have been superseded by the requirements in the State UMR. In addition, the new regulations establish requirements for several underwriting criteria such as vacancy rates, operating expenses, positive cash flow, trending rate assumptions, construction contingency, development cost limits, developer fees, and use of cash flow.

Applicants must also ensure the applications address several questions such as:

1. Do the HOME rents comply with the HOME rent limits?
2. Is the program rule that 90 percent of all tenants in HOME assisted units during the first year of occupancy have incomes that are 60 percent or less of the area median income met?
3. Is the project rule that 20 percent of the HOME assisted units be occupied by very low income (50 percent of median) met if the project has 5 or more HOME units? Are these units rented at or below the Low HOME rents?
4. Is the multi-year pro forma for 15 years?
5. Are the unit/bedroom distribution, rents, and projected revenue consistent with the Income Information Form?
6. Is the debt service consistent with the commitment letters and any interest rate adjustments shown in the commitment letters?
7. Is the operating budget consistent with the multi-year pro forma?
8. Are there enough sources to pay development costs?
9. Are there ineligible HOME costs such as furnishings, off-site improvements, replacement reserve, or refinancing?
10. Is relocation, lead-based paint, or asbestos mitigation budgeted if needed?
11. Do the construction and permanent sources and uses match the commitment letters?
12. Are the values and fund uses shown in the construction and permanent sources and uses consistent with each other?
13. Is the total development cost internally consistent in the application?
14. Are the HOME funds requested the lower of:
 - the 221(d)(3) limits, as adjusted by unit size and county, multiplied by the number of HOME units, OR
 - the ratio of HOME units as a percentage of all units multiplied by the Total Development Costs

ATTACHMENT 12-PROJECT

RENTAL REHABILITATION WITH OR WITHOUT ACQUISITION

Attachment 12 is required for all applicants proposing to use HOME funds for rental rehabilitation projects with or without acquisition.

Section I. Project Information

List all information of the proposed project, including the project name, location, owner, managing general partner (if different than the owner), the developer and the architect/construction specialist. Lines A through F must be completed.

Section II. Prior Experience

Subsection A. (Experience of the applicant, city/county administering the CHDO project, or administrative subcontractor) and Subsection B (Developer).

List only rental rehabilitation with or without acquisition projects completed January 1, 1999 through November 17, 2003 inclusive. The project list must identify the project name, location, total units, number of subsidized units, funding sources, and the completion date (mo/yr). Please make sure the month (and year) of completion is shown for projects completed in 2003.

Subsection C. (Experience of the owner or managing general partner identified in Section I).

List all rental rehabilitation with or without acquisition projects owned by the owner (or where the managing general partner was owner or managing general partner), at any time from January 1, 1999 through November 17, 2003 inclusive, regardless of when they were completed.

Subsection D. (Experience of developer, owner and/or managing general partner identified in Section I with HCD projects).

List all HCD-funded rental rehabilitation with or without acquisition projects in which the developer, owner and/or managing general partner have participated in, at any time from January 1, 1999 through November 17, 2003 inclusive, regardless of when they were completed.

Section III. Development Milestones

The section requires specific information regarding development milestones, including, but not limited to, the status of site control of the project, the status of local government approvals (such as zoning approvals or variances), compliance with Article XXXIV, and specific information relating to other financing in place.

Subsection A. Site Control

Site control must meet the requirements of State UMR Section 8303 included as Appendix H in this manual.

Subsection B. Local government approvals

The required letter must be from the local government official of the jurisdiction where the project is located. The letter must address each of the listed local government approvals whether or not they are applicable to your project at this time.

Subsection C. Article XXXIV

The required letter must be from the local government counsel of the jurisdiction where the project is located. CHDO note: If the local government counsel does not wish to provide an opinion on the applicability of Article XXXIV for your project, you may substitute a letter from your own legal counsel. However, a letter from your own legal counsel will only be acceptable documentation if you obtain a letter from the proper local government counsel stating they will not offer an opinion, but will defer to the opinion of the CHDO's legal counsel on this issue.

Subsection D. Regional, State, or Federal Permits or Approvals

The letter from the applicant must indicate any approvals or status of required regional, state, or federal permits or approvals.

Subsection E. Permanent Project Financing Commitments

Letters of commitment (not interest letters) for permanent financing must include all of the following elements: the borrower's name; the project name (if any); the project site's address, assessor's parcel number or legal description; and the amount, interest rate and terms of the financing being committed. If any elements are missing from the letter, full points cannot be awarded in the rating of the application.

Subsection F. Phase I Environmental Assessment

Submit a Phase I for the project and project site. We recommend that it address the existence of asbestos and lead-based paint, if applicable. This document is not equivalent to the NEPA Environmental Assessment.

Subsection G. Pending Lawsuits

Submit an applicant self-certification whether pending lawsuits would impact the project implementation.

Subsection H. Design Progress

Submit either: 1) an agreement with the same pre-identified architect in the HOME Application; or 2) evidence that the same pre-identified construction specialist in the HOME Application has been retained or is on staff as specified. The application must also identify the construction specialist, include a resume, and a list of projects comparable to the HOME project for which the specialist has provided similar services. This component is factored in the fiscal integrity evaluation.

Subsection I. Relocation

The applicant must survey all the tenants in the proposed project and provide information regarding relocation needs in the format provided. The relocation cost should be the same amount included in the sources and uses budget.

Section IV. Fiscal Integrity

Demonstrating fiscal integrity is critical in successful scoring of your application. The information provided in this section should be internally consistent with the other components of your application and reflect the representations of the nature of the project.

Subsections A and B. Development Phase and Operations Phase

The HOME application includes three required forms: 1) Construction Sources and Uses; 2) Permanent Sources and Uses; and 3) Income Information. Information requested that is not applicable to your project can be indicated by using N/A in the areas of the form that do not apply. Provide on your own forms an operating 15 years. The budget must include a detailed line item breakdown of all proposed income and operating expenses. Submit the Income Information form and verify that the rents for the HOME-assisted units plus the allowance for any tenant paid utilities (established by your local Housing Authority) does not exceed the allowable HUD rent limits. Refer to of the State UMR Sections 8308-8314 attached as Appendix H of this manual for additional information regarding applicable project underwriting requirements.

Section V. Local Market Information

List the rents for the HOME units and ensure that the proposed HOME rents include the allowance for any tenant-paid utilities, established by your local Housing Authority.

Section VI. Match

This section requires information about the source and dollar amount of required match. For the 2003 applications, applicants must identify 25 percent matching funds. The source of match identified must be eligible. Administrative funds do not require match; but the total Project Costs, including Activity Delivery Costs, do require match. For a brief description of match, refer to the Match Section of this manual. For more detailed information refer to HUD CPD Notice 97-03, Match Guidance, available upon request. If you need assistance in this area contact your HOME Representative.

For purposes of the application, in-kind contributions of city, county or consultant staff time or office space will not be counted toward the match obligation or to the leveraging rating criteria. However, subject to compliance with CPD Notice 97-03, it may be possible, on a case-by-case basis, to count these sources toward your match or leveraging obligation during the actual implementation of your activity.

Section VII. Leverage

Leverage includes permanent, not construction, financing provided to the proposed project. Leverage must be documented, and applications which do not contain the leverage

documentation required in the application will not receive credit. Letters of commitment from public or private sources (not interest letters) or resolutions must contain all of the following elements:

- the borrower's name;
- the project name (if any);
- the project site's address, assessor's parcel number or legal description; and
- the amount, interest rate and terms of the financing being committed.

For purposes of the application, in-kind contributions of city, county or consultant staff time or office space will not be counted toward the match obligation or to the leveraging rating criteria. However, subject to compliance with CPD Notice 97-03, it may be possible, on a case-by-case basis, to count these sources toward your match or leveraging obligation during the actual implementation of your activity.

All permanent-financing commitments for the proposed project must be for a minimum term equal to the applicable HOME-required period of affordability (i.e. 10, 15 or 20 years depending on the amount of HOME funds per unit for State Recipient rental rehabilitation projects only, 30 years for CHDO rental rehabilitation projects).

If an applicant, developer or owner is proposing to use its own funds or funds of a non-institutional lender, the application must provide documentation that the funds are actually available. Only funds documented as required in the application (other permanent financing required) will be used in calculating the leverage ratio.

Property (land and improvements) donations count as leveraging only if the application contains: a) a letter or resolution donating the land, describing all conditions of the donation, and containing all of the information required for a permanent financing letter, and b) an appraisal showing the current value of the land/building (a broker's letter is not acceptable.)

Some forms of match can also be counted as leverage. These amounts must be listed on both the match chart in Section III.C and the leverage chart in Section IV.B to receive credit as both match and leverage. For example, if redevelopment funds are being provided as match, they probably should be listed as leverage as well. Note: While documentation is not required for match, documentation must be provided to count as leverage.

State Review Process for Rating Fiscal Integrity

Your rental project application will be evaluated for compliance with the new requirements in the State UMR (commencing with Section 8300) included as Appendix H in this manual. The HOME requirements regarding reserves and debt coverage ratio in the application have been superceded by the requirements in the State UMR. In addition, the new regulations establish requirements for several underwriting criteria such as vacancy rates, operating expenses, positive

cash flow, trending rate assumptions, construction contingency, development cost limits, developer fees, and use of cash flow.

Applicants must also ensure the applications address several questions such as:

1. Do the HOME rents comply with the HOME rent limits?
2. Is the program rule that 90 percent of all tenants in HOME assisted units during the first year of occupancy have incomes that are 60 percent or less of the area median income met?
3. Is the project rule that 20 percent of the HOME assisted units be occupied by very low income (50 percent of median) met if the project has 5 or more HOME units? Are these units rented at or below the Low HOME rents?
4. Is the multi-year pro forma for 15 years?
5. Are the unit/bedroom distribution, rents, and projected revenue consistent with the Income Information Form?
6. Is the debt service consistent with the commitment letters and any interest rate adjustments shown in the commitment letters?
7. Is the operating budget consistent with the multi-year pro forma?
8. Are there enough sources to pay development costs?
9. Are there ineligible HOME costs such as furnishings, off-site improvements, replacement reserve, or refinancing?
10. Is relocation, lead-based paint, or asbestos mitigation budgeted if needed?
11. Do the construction and permanent sources and uses match the commitment letters?
12. Are the values and fund uses shown in the construction and permanent sources and uses consistent with each other?
13. Is the total development cost internally consistent in the application?
14. Are the HOME funds requested the lower of:
 - the 221(d)(3) limits, as adjusted by unit size and county, multiplied by the number of HOME units, OR
 - the ratio of HOME units as a percentage of all units multiplied by the Total Development Costs

ATTACHMENT 13 – PROJECT FIRST-TIME HOMEBUYER NEW CONSTRUCTION

Attachment 13 is required for all applicants proposing to use HOME funds for first-time homebuyer new construction projects. This is a site-specific proposal. If more than one project site is being applied for, the applicant must complete an Attachment 13 for each separate site and submit the required documentation for each specific site.

Section I. Project Information

This section requires general information related to the specific project, such as who will be the developer and the project architect or construction specialist. Be sure to fill in all lines (A through D).

Section II. Prior Experience

Subsection A (Experience of the applicant, city/county administering the CHDO project, or administrative subcontractor) and Subsection B (Developer).

List only first time homebuyer new construction completed January 1, 1999 through November 17, 2003 inclusive. The project list must identify the project name, location, total units, number of subsidized units, funding sources, and the completion date (mo/yr). Please make sure the month (and year) of completion is shown for projects completed in 2003.

Subsection C. (Experience of developer identified in Section I with HCD projects).

List all HCD-funded first time homebuyer new construction projects in which the developer has participated in, at any time from January 1, 1999 through November 17, 2003 inclusive, regardless of when they were completed.

Section III. Development Milestones

This section requires specific information regarding development milestones, including, but not limited to, the status of site control of the project and the form of site control and the status of local government approvals (such as zoning approvals or variances), specific information relating to other financing in place (both construction and permanent) and design progress.

Subsection A. Site Control

Site control must meet the requirements of State UMR Section 8303 in Appendix H of this manual.

Subsection B. Status of Local Government Approvals

Requests documentation of the status of local approvals for the project. Two things are important here:

- The letter must be from a local government official for the jurisdiction in which the project will be located.

- There are seven types of approvals listed under this item. The letter obtained must respond to all seven of these items. The letter should be clear as to whether approval has been obtained, is pending or is not applicable.

Subsection C. Soils Report

Requests submittal of the soils report for the project site. The soils report should be for the correct site (match site control documents and preliminary title report). If you are proposing a project on a single in-fill site on which a soils report will not be required, substitute as the attachment a letter stating that no soils report will be required for this in-fill site.

Subsection D. Regional, State, or Federal Permits or Approvals

Requests the applicant to submit a letter indicating whether this project site will require any regional, state or federal permits or approvals. The letter must address the status of any required approvals and must be signed by the authorized person (as named in the resolution). You cannot just put “none required” on the application itself. A letter must be included as an attachment as directed in the application. If any approvals have been obtained already, evidence of the approval must also be submitted.

Subsection E. Construction Financing Commitments

Requests information regarding the commitment of construction financing for the project.

- Item 1. Asks you to calculate the amount of construction financing needed for the project. Do not deduct HOME funds in this calculation if HOME funds will be used only as permanent financing and not for acquisition/construction costs.
- Item 2. Be sure all construction financing sources are listed.
- Item 3. Describes the documentation that must be submitted as evidence of commitment of construction financing. Public funds must be documented by resolutions or commitment letters as stated in the application. Private funds must be documented by letters of interest as stated in the application. Letters of commitment or resolutions for public funds and letters of interest from other lenders must be complete.

Letters or resolutions must state:

- borrower name,
- project name, if any,
- address, assessor’s parcel number or legal description, and
- the amount, interest rate and terms of the loan.

If RD 502 financing is the unit construction lender (mutual self-help projects); submit a copy of your current technical assistance grant commitment showing the term, number of units and project names or locations.

If you are proposing a subdivision project in which a construction financing commitment can only be obtained in phases, you will only be given credit for the construction financing that is committed as documented in the application.

Subsection F. Permanent Financing Commitments

Requests information on permanent financing commitments. Public funds must be documented by resolutions or commitment letters as stated in the application. Private funds must be documented by letters of interest as stated in the application. Letters of commitment or resolutions for public funds and letters of interest from other lenders must be complete.

Letters or resolutions must state:

- project name,
- project address, assessor's parcel number or legal description, and
- the amount of the loan.

Please note there is an exception for documentation required for financing to be obtained from the RD 502 program. For RD 502 financing, submit a copy of the technical assistance grant showing the term, number of units and project names or locations.

Subsection G. Phase I Environmental Assessment

Requests a copy of the Phase 1 Report for the project site. The Phase 1 report should be for the correct site (match site control documents and preliminary title report). If you are proposing a project on a single in-fill site on which a soils report will not be required, substitute a letter stating that no Phase 1 report will be required for this in-fill site as the attachment.

Subsection H. Pending Lawsuits

This section requires a certification regarding pending lawsuits that might effect the implementation of this project. The certification must be submitted as an attachment to the application and must be signed by the applicant's authorized person (as named in the resolution).

Subsection I. Design Progress

Requests information regarding project plans. Documentation can be submitted for either an architect or a construction/design specialist as follows:

- For an architect as identified in Section I.D., submit an executed agreement for project design plans through at least the working drawings phase.
- For a construction/design specialist as identified in Section I.D., you must submit three pieces of documentation: a) evidence the person(s) has been retained or is on the staff of the administering entity; b) the resume of the person(s); and c) a list of comparable projects for which the person(s) has provided services similar to the services required by this project.

Section IV. Fiscal Integrity

This section requires information related to fiscal integrity of the proposed first-time homebuyer project. This section requires information related to the condition of the lots prior to construction, such as whether the units will be constructed on in-fill sites or if tentative or final subdivision map has been issued. The applicant is also asked to provide cost estimates for the project.

Subsection A. Developed Lots or Subdivisions

Should be completed if the project is to be located on currently developed lots or in a developed subdivision.

Subsection B. Partially Developed or Undeveloped Land with Tentative Subdivision Map

Should be completed if the project is to be located on lots that are currently undeveloped or partially developed and have an approved tentative subdivision map. Projects proposed to be built on undeveloped property with no tentative map will receive no credit for fiscal integrity.

Whether you complete Subsection A or Subsection B, you must also submit the three pieces of documentation required:

- an appropriate certification letter to confirm the current status of the site. This certification must be signed by the authorized person (resolution);
- cost estimates for the project; and
- a certification letter from the architect or construction/design specialist identified in I.D. This letter must be signed by the same person for whom documents were submitted in response to Section III. I. For Subsection A., the letter should certify that the cost estimates are based on all requirements of the project. For Subsection B., the letter should certify that the cost estimates are based on all requirements of the project, including conditions of the tentative map.

Section V. Local Market

Complete the chart in Section V providing the number of HOME-assisted units, the number of bedrooms/baths and the proposed sales price (must be within HOME limits).

Section VI. Match

This section requires information about the source and dollar amount of required match. For the 2003 applications, applicants must identify 25 percent matching funds. The source of match identified must be eligible. Administrative funds do not require match; but the total Project Costs, including Activity Delivery Costs, do require match. For a brief description of match, refer to the Match Section of this manual. For more detailed information refer to HUD CPD Notice 97-03, Match Guidance, available upon request.

For purposes of the application, in-kind contributions of city/county or consultant staff time or office space will not be counted toward the match obligation or to the leveraging rating criteria. However, subject to compliance with CPD Notice 97-03, it may be possible, on a case-by-case basis, to count these sources toward your match or leveraging obligation during the actual implementation of your activity.

Section VII. Leverage

Requests information on permanent financing commitments. Public funds must be documented by resolutions or commitment letters as stated in the application. Private funds must be documented by letters of interest as stated in the application. Letters of commitment or resolutions for public funds and letters of interest from other lenders must be complete. Letters or resolutions must state:

- project name,
- project address, assessor's parcel number or legal description, and
- the amount of the loan.

For purposes of the application, in-kind contributions of city, county or consultant staff time or office space will not be counted toward the match obligation or to the leveraging rating criteria. However, subject to compliance with CPD Notice 97-03, it may be possible, on a case-by-case basis, to count these sources toward your match or leveraging obligation during the actual implementation of your activity.

Please note there is an exception for documentation required for financing to be obtained from the RD 502 program. For RD 502 financing, submit a copy of the technical assistance grant showing the term, number of units and project names or locations. Note: If only an amount per unit is stated or only a number of units is stated, the Department will be unable to verify a total amount and it will not be acceptable documentation of leverage.

Only funds documented as required in the application (maximum potential leverage) will be used in calculating the leverage ratio.

Property (land and improvements) donations count as leveraging only if the application contains: a) a letter or resolution donating the land, describing all conditions of the donation, and containing all of the information required for a permanent financing letter, and b) an appraisal showing the current value of the land/building (a broker's letter is not acceptable.)

Some forms of match can also be counted as leverage. These amounts must be listed on both the match chart in Section VI.B. and the leverage chart in Section VII.B. to receive credit as both match and leverage. For example, if redevelopment funds are being provided as match, they probably should be listed as leverage as well, but if a redevelopment agency is providing a buy down, it would be counted only as match, not as leverage. **Note: While documentation is not required for match, documentation must be provided to count as leverage.**

ATTACHMENT 14 – PROJECT FIRST-TIME HOMEBUYER ACQUISITION AND REHABILITATION

Attachment 14 is required for all applicants proposing to use HOME funds for first-time homebuyer acquisition with rehabilitation projects. This is a site-specific proposal. If more than one project site is being applied for, the applicant must complete an Attachment 14 for each separate site and submit the required documentation for each specific site.

Section I. Project Information

This section requires general information related to the specific project, such as who will be the project developer and the project architect. Be sure to fill in all lines (A through D).

Section II. Prior Experience

Subsection A (Experience of the applicant, city/county administering the CHDO project, or administrative subcontractor) and Subsection B (Developer).

List only first time homebuyer acquisition and rehabilitation completed January 1, 1999 through November 17, 2003 inclusive. The project list must identify the project name, location, total units, number of subsidized units, funding sources, and the completion date (mo/yr). Please make sure the month (and year) of completion is shown for projects completed in 2003.

Important note: If the owner has one of the forms of site control listed in Section III.A.3, then either the applicant, the city/county administering a CHDO's project or the developer must have a legally enforceable agreement with the owner granting them the right to develop this project on their property and that agreement must not expire for at least 180 days after the anticipated date of the HOME award.

Subsection C. (Experience of developer, owner and/or managing general partner identified in Section I with HCD projects).

List all HCD-funded first time homebuyer acquisition and rehabilitation projects in which the developer, owner and/or managing general partner have participated in, at any time from January 1, 1999 through November 17, 2003 inclusive, regardless of when they were completed. This section requires information regarding prior experience of the different entities to be involved in the acquisition and rehabilitation of the project for first-time homebuyers.

Section III. Development Milestones

This section requires specific information regarding development milestones, including site control, form of site control, status of local government approvals (such as zoning approvals or variances), permanent financing commitments and information about design progress.

Subsection A. Site Control

Site control must meet the requirements of State UMR Section 8303 contained in Appendix H of this manual.

Subsection B. Status of Local Government Approvals

Requests documentation of the status of local approvals for the project. Two things are important here:

- 1) The letter must be from a local government official for the jurisdiction in which the project will be located.
- 2) There are seven types of approvals listed under this item. The letter obtained must respond to all seven of these items. The letter should be clear as to whether approval has been obtained, is pending or is not applicable.

Subsection C. Rehabilitation Financing Commitments

Requests information regarding the commitment of rehabilitation financing for the project.

- Item 1. Asks you to calculate the amount of rehabilitation financing needed for the project. Do not deduct HOME funds in this calculation if HOME funds will be used as permanent financing only and not for rehabilitation costs.
- Item 2. Be sure all rehabilitation financing sources are listed.
- Item 3. Describes the documentation that must be submitted as evidence of commitment of construction financing. Public funds must be documented by resolutions or commitment letters as stated in the application. Private funds must be documented by letters of interest as stated in the application. Letters of commitment or resolutions for public funds and letters of interest from other lenders must be complete.

Letters or resolutions must state:

- borrower name,
- project name, if any,
- address, and
- the amount, interest rate and terms of the loan.

Subsection D: Permanent Financing Commitments

Requests information on permanent financing commitments. Public funds must be documented by resolutions or commitment letters as stated in the application. Private funds must be documented by letters of interest as stated in the application. Letters of commitment or resolutions for public funds and letters of interest from other lenders must be complete.

Letters or resolutions must state:

- project name,
- project address, and
- the amount of the loan.

Subsection E: Rehabilitation Progress

Requests information regarding rehabilitation progress. Documentation can be submitted for either an architect or a construction/design specialist as follows:

- For an architect as identified in Section I.D., submit an executed agreement for rehabilitation of the project.
- For a construction/design specialist as identified in Section I.D., you must submit three pieces of documentation: a) evidence the person(s) has been retained or is on the staff of the administering entity; b) the resume of the person(s); and c) a list of comparable projects for which the person(s) has provided rehabilitation services similar to the services required by this project.

Section IV. Fiscal Integrity

Solicits information related to fiscal integrity of the project. Two pieces of documentation are needed:

- cost estimates for the project; and
- a certification letter from the architect or construction/design specialist identified in I.D. This letter must be signed by the same person for whom documents were submitted in response to Section III.E. The letter should certify that the cost estimates are based on all requirements of the project and on an inspection of each unit(s).

Section V. Local Market

This section requires you to identify the number of HOME-assisted units, the number of bedrooms/baths and the proposed sales price (must be within HOME limits).

Section VI. Match

This section requires information about the source and dollar amount of required match. For the 2003 applications, applicants must identify 25 percent matching funds. The source of match identified must be eligible. Administrative funds do not require match; but the total Project Costs, including Activity Delivery Costs, do require match. For a brief description of match, refer to the Match Section of this manual. For more detailed information refer to HUD CPD Notice 97-03, Match Guidance, available upon request. If you need assistance in this area, contact your HOME Representative.

For purposes of the application, in-kind contributions of city, county or consultant staff time or office space will not be counted toward the match obligation or to the leveraging rating criteria. However, subject to compliance with HUD CPD Notice 97-03, it may be possible, on a case-by-

case basis, to count these sources toward your match or leveraging obligation during the actual implementation of your activity.

Section VII. Leverage

Requests information on permanent financing commitments. Public funds must be documented by resolutions or commitment letters as stated in the application. Private funds must be documented by letters of interest as stated in the application. Letters of commitment or resolutions for public funds and letters of interest from other lenders must be complete.

Letters or resolutions must state:

- project name,
- project address, assessor's parcel number or legal description, and
- the amount of the loan.

For purposes of the application, in-kind contributions of city/county or consultant staff time or office space will not be counted toward the match obligation or to the leveraging rating criteria. However, subject to compliance with HUD CPD Notice 97-03, it may be possible, on a case-by-case basis, to count these sources toward your match or leveraging obligation during the actual implementation of your activity.

Note: If only an amount per unit is stated or only a number of units is stated, the Department will be unable to verify a total amount and it will not be acceptable documentation of leverage.

Only funds documented as required in the application (other permanent financing required) will be used in calculating the leverage ratio.

Property (land and improvements) donations count as leveraging only if the application contains: a) a letter or resolution donating the land, describing all conditions of the donation, and containing all of the information required for a permanent financing letter, and b) an appraisal showing the current value of the land/building (a broker's letter is not acceptable.)

Some forms of match can also be counted as leverage. These amounts must be listed on both the match chart in Section VI.B and the leverage chart in Section VII.B to receive credit as both match and leverage. For example, if redevelopment funds are being provided as match, they probably should be listed as leverage as well, but if a redevelopment agency is providing a buy down, it would be counted only as match, not as leverage. **Note: While documentation is not required for match, documentation must be provided to count as leverage.**

V. RATING AND RANKING OF APPLICATIONS (Sections 8212 and 8213)

Upon receipt of applications for funding, the Department will evaluate each application for completeness. Applications which are found to be complete will be further evaluated for eligibility. An applicant is eligible if it:

- Has staff available or has committed to hiring staff able to operate a local HOME Program or oversee the work of an administrative subcontractor, if applicable;
- CHDOs with a current State certification that are proposing activities located in eligible cities or counties as described above that are included in the CHDOs approved service area. All non-profit applicants that are currently certified by the Department as CHDOs by November 17, 2003 application deadline shall be considered eligible to apply for funding as a CHDO. All CHDO certification or recertification applications, or applications for changes in the CHDO's service area, must be submitted by November 17, 2003. NOFA applications from these applicants will not be ranked nor a conditional reservation of funds set-aside until the Department approves the CHDO certification or recertification.
- Has been pre-certified as a CHDO as of the final filing date stated in the NOFA, if the applicant is applying as a CHDO;
- Has no outstanding audit findings for prior Department-administered or federally-funded housing or community development projects or programs. Note: HOME contract management findings are not considered audit findings in this context;
- Has submitted an application in which at least one of the activities and uses of funds is HOME-eligible;
- Has submitted a complete application (including documentation of site control per the application's requirements) ; and
- The total amount of funds requested for both administration and project-specific costs does not exceed the limits described in the NOFA.

Applications that cannot or do not demonstrate compliance with these factors will not be reviewed further. Applications which pass this threshold review will then be competitively rated using a two-tiered process. The maximum total points an application can receive for the initial rating is 1,000 points.

The following is a general description of each rating criterion:

Capability to operate HOME at the local level (300 points)

The Department will review each applicant's past State HOME performance when awarding funds. Measures of performance will include whether the applicant has met the program expenditure milestones in its previous contracts, whether the project set-up deadline has been met, and actual expenditures compared to proposed expenditures and disencumbrances of prior awards.

The Department will also review the applicant's or administrative subcontractor's prior experience in administering program(s) with activities similar to the activities proposed in the application.

After determining capability, applications will be rated in comparison to other submitted applications proposing similar activities.

Need (200 points)

The Department will determine need based on poverty level and overpayment for housing from data contained within the most recently available U.S. Census and apply a formula.

Feasibility (400 points)

Feasibility will be analyzed differently for applications proposing general programs than from those proposing specific projects.

For applicants who propose programs, two primary factors will be considered to determine feasibility: 1) Level of readiness to implement the program; and 2) the extent to which the program meets a demonstrated community need.

Programs will be considered ready to be implemented if the application demonstrates the following: 1) guidelines/procedures are in place that properly address specified HOME requirements and describe local operating procedures; and 2) the applicant has identified available, sufficient and eligible resources to meet the HOME match requirement.

Attachments for each type of program outline the requirements, which must be addressed in the applicant's guidelines/procedures in order to achieve maximum points. Examples of requirements include determining eligible households, eligible properties, and resale or recapture provisions. Additionally, the attachment requires the applicant to identify the page in the guidelines/procedures and highlight where the specific items are addressed. An applicant can also demonstrate readiness by identifying in the attachment the source and value of match that will be used in the program to meet the matching requirement.

The applicant must identify an eligible form and a sufficient amount of match to receive maximum points.

Demonstrated community need and market for the proposed program will be measured by varying factors depending on the type of program proposed. Attachments for each program type ask whether the activity is identified as a need in the Housing Element of the jurisdiction where the program is located. The attachment requires the applicant to submit copies of the applicable page(s) of the Housing Element and identify the page in the Housing Element where the need is identified. Do not submit other documents-the Department may only utilize Housing Element data from the current adopted Housing Element. Make sure that the document is clearly labeled as the Housing Element and make sure the adoption date is clearly shown. Additional community-wide data intended to measure the need and market for the proposed program activity will be compiled by HOME staff.

For applicants who propose projects, two primary factors will be considered to determine feasibility: the readiness of the project as evidenced by development milestones and a demonstration that the project is financially feasible throughout the term of affordability, including demonstration of a market need for the project.

Attachments for each type of project solicit information related to whether the project has passed specific development milestones. Milestones include local government approvals, Article XXXIV applicability, financing commitments, environmental assessment, pending lawsuits, and design progress. Most of the questions related to the milestones require documentation or certification as attachments. If these are not included, maximum points will not be awarded. It is important to remember that meeting particular milestones is not an eligibility requirement, but is a measurement of readiness that garners points.

Rental fiscal integrity is measured by the ability of the applicant to demonstrate feasibility in the construction sources and uses (not applicable for acquisition-only projects), permanent sources and uses, income information and operating pro forma. Attachments for rental projects include formats for the construction period sources and uses, permanent sources and uses, and income information. For projects involving construction or rehabilitation, construction sources and uses will be evaluated considering the status of plans and specifications/work write-ups. Feasibility of acquisition projects are evaluated on the basis of whether the property has been optioned and whether the sales price is substantiated by an appraisal or whether the option caps the sales prices at appraised value.

Attachments for rental projects ask for an operating pro forma (a 15 year pro forma is acceptable). The applicant can use its own format for this information as long as it

contains all of the components contained in the forms in the application. An operating pro forma must show rents, including utility allowances, consistent with HOME requirements, sufficient operating income and reserves (specified in the attachments), and must demonstrate compliance with the specified debt service coverage ratio.

The local market for a rental project will be evaluated by considering two ratios: 1) Fair market rent compared to area median income; and 2) proposed rents compared to fair market rents. Provide the information solicited in the attachment, including the proposed rents. These rents should be the same as provided in the operating pro forma.

For projects proposing first-time homebuyer activities, fiscal integrity will be measured by the ability of the applicant to provide cost estimates based on all requirements of the project. Attachments solicit information related to lot development, subdivision approvals and architect or other professional certifications.

Local market for first-time homebuyers will be evaluated considering two ratios: 1) proposed sales price as a percentage of the 95 percent value limits (or as otherwise approved by HCD); and 2) the 95 percent value limit as a percentage of the area median income for a four-person household. Provide the information solicited in the attachment, including the proposed sales prices.

NOTE: The above description is not an all-inclusive list of the items to be reviewed by the Department to determine feasibility of the applicant's program or project. In order to obtain maximum points under this rating factor, all applicants should pay particular attention to the submittal of items as requested in the application and provide as much clear, concise information as is available at the application stage.

Leverage of Funds (100 points)

The Department will only include in the leverage calculation permanent financing amounts documented by letters or resolutions that are complete and contain all of the elements described in the application attachments. The required documentation of permanent financing varies from attachment to attachment, so check carefully that the documentation submitted meets the requirements. Any documentation that does not meet the requirements will not be used in the Department's leverage calculations.

Applications must receive a minimum of 650 points in the areas previously mentioned to be considered for additional points in the second tier rating.

For those applications that achieve the minimum threshold of 650 points, the following additional areas will be rated and ranked as follows:

Housing Element (200 points)

Applications from jurisdictions which have an adopted Housing Element that is in substantive compliance as of the application final filing date as stated in the NOFA will receive the full points for this rating factor. A Housing Element which has been found not to be in substantive compliance by the Department receives no points.

Newly formed cities that are not yet required to have an adopted Housing Element in compliance shall receive the full 200 points.

Applications from CHDOs that does not use a city or county to administer its local program shall receive the full 200 points.

If the applicant is a CHDO that proposes that a city or county administer its local program, the status of the Housing Element of the city or county selected to administer the program will be considered. Applications from CHDOs in which the administering city or county has a Housing Element in substantive compliance will receive the full 200 points for this category. Applications from CHDOs where the administering city's or county's Housing Element is not in compliance will receive no points.

Eligible PJ (50 points)

Applications proposing activities in a jurisdiction that was eligible for funds from HUD but declined direct HUD HOME funding for the current year will receive fifty additional points.

Rural (50 points)

Applications proposing activities in designated rural areas receive additional points if some or all of the activity is restricted to rural areas. The definition of rural area is defined in Section 50199.21 of the Health and Safety Code. The definition now used by the HOME Program is the same as that which is used by the Tax Credit Allocation Committee. Appendix F includes a listing of counties which are entirely rural and a listing of counties that are partially urban and partially rural, by census tracts.

Once total rating scores are calculated, the percentage of funding requested by projects and programs determines the funding allocated to projects and to programs. All project applications are placed in rank order, and all program applications are placed in rank order.

Applications are funded in that order, taking into consideration

- the required 15 percent CHDO set-aside, which may cause a CHDO application to be funded rather than a higher ranked State Recipient application; and
- the required 50 percent rural set-aside, which may cause a rural area to be funded rather than higher-ranked non-rural area.
- the minimum 40 percent allocation to programs and projects.

VI. FUND ADMINISTRATION

The HOME Standard Agreement

Costs incurred prior to the execution of the HOME Standard Agreement are not eligible for reimbursement by the HOME Program, with the single exception that administration expenses for NEPA compliance work undertaken prior to the execution of the HOME Standard Agreement and after the issuance of the Conditional Award Letter may be reimbursed. However, the entity incurring the NEPA compliance expenses prior to the execution of the HOME Standard Agreement is solely, and completely, responsible for those expenses and the State is in no way committed to paying those expenses if the HOME Standard Agreement is, for whatever reason, never executed.

Once the Department has awarded funds and established contract conditions, we will transmit five copies of the HOME Standard Agreement to the State Recipient or CHDO.

The State Recipient or CHDO must sign and return all five copies of the agreement to the Department, and the Department will sign and return one copy to the State Recipient or CHDO. The HOME Standard Agreement is a formal contractual document executed by the State and the State Recipient or CHDO. It requires an authorized signature and a resolution approved by the governing body of the applicant if such authorization was not included in the resolution submitted with the application. Once the Department signs the agreement and the Department of General Services exemption stamp is on the document, it is deemed approved for the purposes of incurring costs. The Department will then forward an executed copy of the HOME Standard Agreement to the State Recipient or CHDO. All critical deadlines are based on the date of award, which will be the date at the top of the HOME Standard Agreement.

Program Staffing

Communities have several options in staffing their programs. They may use existing staff resources, hire new staff, or contract for program functions following federal procurement guidelines. Once an approach has been selected, the key participants should meet to define their roles and establish procedures. Many administrative problems can be avoided by establishing

relationships, reporting requirements, and channels of communication at the outset. These decisions should be incorporated into a written document that serves as a procedural guide for the conduct of the program. Written procedures will be valuable in the event staff turnover occurs.

Administrative contractors who are hired to perform specific administrative tasks and/or administer the HOME Program on the State Recipient's or CHDO's behalf are prohibited from having any financial interest in projects receiving the HOME funds.

Any person or entity (including family or business ties) exercising any function in connection with the HOME funds cannot have a financial interest in any contract, subcontract, or agreement with respect to the HOME-assisted activity, during their tenure or for one year thereafter.

Even though an administrative subcontractor is administering a State Recipient HOME Program, the State Recipient remains responsible for overseeing that entity's work and is ultimately responsible for HOME Program administration.

"Loss-Leader" Services

"Loss-Leader" arrangements, where a consultant offers to prepare an application or preliminary engineering estimates at cut rates or at no cost in return for a future contract, are prohibited by federal regulations. Some firms may suggest this approach because costs incurred by a city or county prior to the award of a HOME allocation, such as preparation of any application to the Department or preliminary engineering studies, are not eligible for reimbursement with HOME funds. However, loss-leader arrangements violate federal regulations which require "maximum open and free competition." Professional organizations also consider this practice unethical because it deprives the client of the benefit that can result from competition among competent, professional firms.

Contingent Fee Arrangements

Federal Law prohibits the payment of contingent fees to consultants. A contingent fee arrangement is one in which the consultant works for a percentage of the allocation amount.

Local Administrative Procedures and Systems

While State Recipients and CHDOs must meet the HOME Program requirements, they should also evaluate the impact of other State and local laws and regulations on the administration of their HOME Program. These often include special procurement provisions, cash management restrictions, or additional reporting requirements. As a general rule, in those situations where a particular requirement exceeds the HOME Program requirement, cities or counties should follow the more stringent requirement.

Whenever possible, existing procedures and systems should be used to manage the HOME Program. For example, if local affordability requirements fulfill all of the requirements set forth in 24 CFR Sections 92.252 and 92.254 of the federal HOME regulations, those procedures should be used.

VII. FINANCIAL MANAGEMENT

Federal financial management requirements may not be compatible with your agency's fiscal year, budget process, chart of accounts, or reporting formats. If the Department assesses that there is an inadequate financial management system with prior State or federal grants, the Department may require, as a condition of receiving an award, evidence that the services of experienced competent staff have been or will be obtained to provide financial management. Department staff will be available to consult with State Recipient or CHDO staff on financial management activities.

Required federal and State financial management practices include the provision for accurate, current, and complete disclosure of all transactions, maintenance of source documentation, effective control over all assets, and the ability to report on a modified accrual basis. A complete set of books, records, and files should support the financial management system. At a minimum, the accounting system should provide a cash receipts ledger, cash disbursements ledger, and a general ledger. Your agency should implement procedures to ensure that financial reports are issued on a timely basis.

A note of caution: Failure to comply with HOME rules and regulations could result in repayment of funds expended for a particular activity and may also affect future funding.

Cash Management

The U.S. Treasury's Integrated Disbursement Information System (IDIS) provides funds as they are needed for cash reimbursements and precludes the withdrawal of funds from the U.S. Treasury until costs have been incurred.

State Recipient and CHDOs should be aware of the following IDIS specific requirements:

- All contract conditions must be met prior to setting up a project in IDIS.
- Once the project has been set up in IDIS, the CHDO or State Recipient has 12 months within which to begin drawing funds for the project.

- Within 60 days of the final drawdown request for a particular project, a project completion report must be submitted to the Department for transmittal to IDIS. If this document is not received within the required time frame, the Department will suspend further project set-ups for your agency until the project completion report is received by the Department and accepted in IDIS.

Once HOME contracts have been mailed, the Department will provide additional training on the process used to set up projects and access HOME funds. The comprehensive HOME Contract Management Manual is provided to all contractors as part of this training.

State Recipient Administration of CHDO Local Programs

State regulations currently provide for the administration of CHDO local programs or the collection of repayments from CHDO loans by State Recipients provided certain qualifications are met.

Under State regulations, CHDOs requesting that State Recipients administer their local HOME Programs must submit this request at the time of application to the department.

Project Monitoring

When you, as a State Recipient or CHDO, accept funding under the HOME Program, you are assuming the responsibility of carrying out the program efficiently, economically, and effectively. You are also accepting responsibility for repaying to the State any funds found to be used for ineligible or illegal purposes whether used by the State Recipient or CHDO, a subrecipient or a contractor. Additional responsibilities include organizing and maintaining proper policies and procedures for program administration, budgeting, records and filing, procurement, program monitoring, property management, and close-out.

Long-Term Monitoring will be performed by the Department on an on-going basis during the entire affordability period for rental projects. The Department expanded the scope of monitoring to include field visits and office reviews for both State Recipients and CHDOs. HOME will verify continued compliance with federal requirements, i.e. Continued Income Eligibility, Continued Occupancy Eligibility, HOME Rents, Affirmative Marketing, Property Standards, Lead-based Paint, and Residential Lease. Additionally, CHDOs will be monitored for Regulatory Agreement compliance and Asset Management.

Audits

You are responsible for having the local HOME Program audited. Some considerations are the following: the process of selecting an auditor; the type of audit which will be performed; what the auditor does when performing an audit; what should be done to prepare for the audit; communications with the auditor; and resolving audit finding.

There are two aspects to each audit in the HOME Program: compliance and financial soundness. The auditor will test for compliance with legal and regulatory requirements. The auditor is responsible for determining whether your agency has complied with laws and regulations which may have a material effect on the overall evaluation. Important HOME compliance requirements are HOME assistance recipient eligibility and eligibility of services provided. If HOME funds are used to provide services to ineligible households or to provide services not included in the HOME Standard Agreement or ineligible uses of HOME funds, those funds will have to be returned.

Proper budgeting, accounting, and program monitoring can enhance compliance efforts.

Each audit must be completed and submitted within six months from the close of the audit period.

24 CFR Part 44 contain the federal audit requirements for local governments. OMB Circular A-133 contains the requirements for non-profits, or CHDOs. If you are unfamiliar with these requirements, we recommend that you review these documents before proceeding with your local HOME Program.